

INTELLECTUAL PROPERTY

The Law of Trademarks, Copyrights,
Patents and Trade Secrets

FOURTH EDITION



Deborah E. Bouchoux

INTELLECTUAL PROPERTY OVERVIEW

	TRADEMARKS	COPYRIGHTS	PATENTS	TRADE SECRETS
DEFINITION	A word, name, symbol, or device used to indicate origin, quality, and ownership of a product or service.	Protection granted to authors of original works of authorship, fixed in a tangible form.	Grant of right to exclude another from making, using, selling, or importing a patented invention or discovery.	Any valuable business information that, if known by a competitor, would afford the competitor some benefit or advantage.
WHAT IS PROTECTABLE	A trademark is used in the advertising and marketing of a product; a service mark is used in the advertising and marketing of a service.	Copyright protects original works of authorship, including literary, dramatic, musical, artistic, choreographic, pictorial, sculptural, and other original works, including motion pictures, sound recordings, computer programs, and architectural works, allowing the owner the right to prepare derivative works based on the work and to reproduce, distribute, perform, and display the work.	Utility patents protect any new and useful process, machine, or composition of matter that is nonobvious; design patents protect new, original, and ornamental designs for articles of manufacture; plant patents protect distinct and new plant varieties that are asexually reproduced.	Any information can be protected as long as it has commercial value, it is not in the public domain, and its owner has made reasonable attempts to maintain its secrecy. Information may include customer lists, marketing plans, financial information, takeover targets, and business methods.
HOW RIGHTS ARISE	Rights arise from first use of the mark; registration is not necessary.	Copyright protection arises from the time the work is created in fixed form; registration is not necessary.	Rights arise only upon issuance of the patent by the U.S. Patent and Trademark Office (USPTO) to first to invent (before 3/16/2013) or to first inventor to file application (after 3/16/2013).	Rights arise as soon as the trade secret comes into existence. No registration or other formalities are required.
DURATION OF PROTECTION	Marks are protected as long as they are in use and do not become generic. For registered marks, the registrant must prove use to USPTO between years five and six and every 10 years after registration. Registration lasts for 10 years and is renewable.	Works are protected during the author's life (or last surviving author) and for 70 years thereafter. If work is made for hire, copyright lasts for 95 years from publication or 120 years from creation, whichever is shorter.	Patent protection exists for 20 years from the date of filing an application for utility and plant patents; and for 14 years from the date of grant of a design patent. Maintenance fees are required for utility patents at 3½, 7½, and 11½ years after issuance date.	Trade secrets may exist perpetually as long as they are properly protected or not independently discovered.
COSTS AND FORMALITIES	If federal registration is sought, application must be filed with USPTO; electronic application filing fee is \$325 per class. Application process takes about one year. Preapplication search should be conducted.	If federal registration is sought, application must be filed with U.S. Copyright Office; electronic application filing fee is \$35. Application process takes from three to four months for e-filing. No need for preapplication search.	Application for patent must be filed with USPTO. Application filing fee for utility patent is \$1,250 (\$625 for small entities). Application process takes three years or more. Search should be conducted prior to application.	No application or registration process; however, there may be costs involved in implementing measures to protect secrecy of trade secrets.
INFRINGEMENT TEST	Is there a likelihood of confusion between the marks?	Have any of the exclusive rights of the copyright owner been violated by impermissible copying or unauthorized use of the work?	Does the accused invention fall within the claims language of the patent or is it substantially equivalent?	Has a trade secret been misappropriated?
MARKING REQUIREMENTS	Marking is not required but is recommended. Registered marks are displayed with ® symbol.	Marking is not required but is recommended. Notice: © symbol (or similar indication), year of first publication, and owner's name.	Marking is not required but is recommended. Notice consists of word <i>patent</i> (or its abbreviation) and patent number. Marking may be "virtual" (on the Internet).	Marking is not required but is recommended. Documents should be marked with confidentiality legends or other notices.
GOVERNING LAW	15 U.S.C. §§ 1051 <i>et seq.</i>	17 U.S.C. §§ 101 <i>et seq.</i>	35 U.S.C. §§ 100 <i>et seq.</i>	Various state statutes, cases, and private agreements.

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FOURTH EDITION

Deborah E. Bouchoux, Esq.
Georgetown University



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Deborah E. Bouchoux

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PREFACE

The Congress shall have power to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.

U.S. Const. art. 1, § 8, cl. 8

The field of intellectual property (typically referred to as IP) is one that continues its rapid growth. Just a few years ago, individuals who identified themselves as practitioners in the field of intellectual property were met with blank stares. Now IP professionals are in constant demand, and it is a rare issue of any legal newspaper that does not include advertisements for IP practitioners. Many experts believe this rapid growth can be attributed to the spread of computer and communications technologies throughout the world. Reflecting this, technology-related legislation is continually introduced in Congress. The number of trademark and patent applications filed at the U.S. Patent and Trademark Office continues to grow. Similarly, there is increased emphasis on the need to enhance protection of written materials, including computer software, through copyright registration.

Today's competitive businesses recognize that nearly 80 percent of their value can lie in their intellectual property. With increased technology and global communication come greater challenges to protect intellectual property. Misappropriation or infringement of valuable proprietary information is a keystroke away. Thus, companies and law firms value the expertise of IP professionals who can assist in adopting strategies to ensure IP assets are fully protected.

IP practice groups make extensive use of paralegals. Paralegals are involved in nearly every stage of trademark and patent prosecution and maintenance practice and in the area of copyright registrations and IP audits. The field offers significant opportunities for client contact, challenging issues, and personal and intellectual growth. The specialized nature

of IP practice produces highly capable and efficient paralegals whose contributions are valued by both other legal professionals and clients. Expertise in the field is recognized by salaries that are typically higher than those for paralegals in other fields. In addition to law firm IP practice, many paralegals are employed in-house at companies with significant IP assets. These paralegals work closely with in-house counsel to meet the company's needs. In brief, the field provides significant and rewarding opportunities for career satisfaction.

The recent increased interest in intellectual property, coupled with nearly daily changes in IP law, has caused a relative scarcity in texts that provide both sound, foundational concepts together with the practical advice needed to ensure success for IP paralegals.

This text provides a comprehensive guide to each field within the umbrella of intellectual property, namely, trademarks, copyrights, patents, trade secrets, and unfair competition. The methods by which each is created, procedures to register or protect each, duration of rights, protection from infringement, and new and international developments will be addressed for each of these fields of intellectual property.

Each chapter begins with an introduction to the topics covered therein and concludes with a brief overview of the material presented. Information is arranged in a building-block approach so the reader is presented with comprehensive coverage of each topic. Discussions of each field of intellectual property conclude with a section on the new and emerging issues in that field and then an overview of international implications, such as the methods by which intellectual property can be protected in other countries.

The substantive overview of each topic is complemented by the use of forms, sample agreements, checklists, and other practical guides. References to useful resources and websites are provided in each chapter and online in Appendix C so readers can gather additional information. The specific tasks

in which IP professionals are involved are fully addressed. Discussion questions are provided to ensure thorough understanding of each topic. Finally, each chapter presents questions requiring readers to access Internet websites that are of particular interest to IP professionals. A glossary at the end of the text highlights critical terms, and selected trademark, copyright, and patent statutes are provided in Appendix E at <http://www.paralegal.delmar.cengage.com>.

The field of intellectual property is one of the most dynamic and challenging of all legal specialties. Many of the issues are cutting edge: How can a domain name be protected? How can a company ensure its trade secrets are not misappropriated by an employee? What is the best way to protect a computer program that may be obsolete in three years? How can a business be sure its website does not infringe that of a third party? How can intellectual property be protected in a global economy? How can movies and songs be protected against piracy?

Providing assistance to IP owners thus provides unique opportunities for learning and growth. Moreover, the field of intellectual property is inherently interesting. All of us see and recognize trademarks each day. All of us read books, watch movies, and use inventions. Thus, readers bring a wealth of practical and firsthand knowledge to the study of IP law. This text allows readers to link their experience as consumers with the substantive information presented to ensure IP owners are provided a full range of strategies and methods to protect their valuable assets.

ADDITIONS AND ENHANCEMENTS TO THE FOURTH EDITION

Each chapter includes the following enhanced and new features:

- Trivia (a “fun” section pointing out interesting and new IP facts, statistics, and trivia; for example, one of the chapters on patents notes that

the youngest patentee in the United States is a 4-year-old)

- Case Illustration (a short “brief” of a case—usually either a seminal case or ground-breaking one—that illustrates a principle discussed in that chapter)
- Case Study and Activities (a factual scenario involving a fictional company, Holiday Cruises, Inc., requiring students to identify various IP problems Holiday is encountering and suggest strategies to solve those problems; as a large cruise ship line, Holiday has a host of trademarks, copyrighted materials, and patented inventions)
- Internet Resources (a short section is given at the end of each chapter with websites specific to the information previously discussed in that chapter)
- Ethics Edge (a short ethics tip or pointer relevant to one of the topics discussed in that chapter)
- Using Internet Resources (a section requiring readers to access numerous websites and answer questions that are typical of those that occur in real-life IP practice)

This edition also includes several new features and discussion of the following new topics:

- Numerous calendaring, docketing, and fee calculation questions
- Discussion of the effect of bankruptcy on trademark licensees
- Discussion of the status of the Anti-Counterfeiting Trade Agreement
- Discussion of the liability of service providers such as eBay for selling counterfeit goods
- Proposed implementation of hundreds of new domain names by ICANN
- Extensive and enhanced discussion of the Madrid Protocol
- Discussion of efforts by performers to receive royalties for their sound recording performances on AM and FM radio as well as discussion of SoundExchange, which collects royalties

for owners of sound recordings from satellite radio and similar platforms

- Discussion of whether providers such as YouTube are entitled to the safe harbors of the Digital Millennium Copyright Act when copyrighted materials are posted to their websites

Readers will also find new information on electronic systems at the U.S. Patent and Trademark Office and Copyright Office for filing trademark, patent, and copyright applications, and discussion of new legislation, including the following:

- PRO-IP Act of 2008
- Leahy-Smith America Invents Act of 2011 (the most significant revision to patent law in 60 years)

Finally, this fourth edition contains discussions of cutting-edge IP issues such as jailbreaking of iPhones, liability of Internet service providers such as eBay when counterfeit materials are sold on their sites, the proposed Google Books Settlement, the Copyright Alert System (implemented to stop illegal downloading of copyrighted material), defensive patenting, and ground-breaking new cases such as *Bilski v. Kappos*, *Viacom International, Inc. v. YouTube, Inc.*, and *Microsoft Corp. v. i4i Ltd. Partnership*.

General notes to readers. Throughout this text, helpful websites, fees, and addresses are given. Due to the transitory nature of some websites and frequent changes in fees and other similar information, it is possible that such information may not be current at the time you read this text. The website of the U.S. Patent and Trademark Office (USPTO), <http://www.uspto.gov>, provides current fee and address information. Similarly, the website of the Copyright Office, <http://www.copyright.gov>, provides up-to-date information for frequently changing topics and fees. Note that figures and statistics given in the text for USPTO and Copyright Office workloads are for fiscal years (rather than calendar years), which end on September 30.

Note to readers regarding the America Invents Act (AIA). The most significant change to patent law was enacted on September 16, 2011. The Leahy-Smith America Invents Act changes numerous patent laws, processes, and fees. This text provides an overview of the AIA as it was enacted; however, because many provisions of the AIA will be phased in over time and the USPTO will need to promulgate regulations to implement the AIA, some provisions in the AIA may be revised. Readers should thus review the USPTO website for changes in regulations, fees, and so on under the AIA, which may change over time.

SUPPLEMENTAL TEACHING MATERIALS

- ***The Instructor's Manual with Test Bank*** is available online at <http://www.paralegal.delmar.cengage.com> in the Instructor's Lounge under

Resource. Written by the author of the text, the *Instructor's Manual* contains suggested syllabi, lecture notes, answers to all text discussion and Internet questions, useful websites, and a test bank.

- ***Online Companion***[™]—The Online Companion[™] website can be found at <http://www.paralegal.delmar.cengage.com> in the Resource section of the website. The Online Companion[™] contains the following:
 - Chapter Summaries
 - Trivia
 - Internet Resources
 - Appendices
 - Quiz Questions
- ***Web Page***—Come visit our website at <http://www.paralegal.delmar.cengage.com>, where you will find valuable information specific to this book such as hot links and sample materials to download.

Please note the Internet resources are of a time-sensitive nature and URL addresses may often change or be deleted.

Contact us at
www.paralegal.delmar.cengage.com

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Much of the basic information in this text relating to trademarks, copyrights, and patents is from the websites of the U.S. Patent and Trademark Office and the U.S. Copyright Office, and the author wishes to acknowledge these agencies. No copyright is claimed in any of the materials or forms of these agencies, including but not limited to Exhibits 2–1, 4–1, 4–3, 4–4, 4–6, 4–8, 4–9, 5–4, 6–1, 8–1, 18–1, 18–2, 18–3, 18–4, 18–6, 19–2, Appendix D: Forms 7 and 13, and Exhibit E.

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PART ONE



INTRODUCTION TO INTELLECTUAL PROPERTY

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CHAPTER 1

Introduction to Intellectual Property Law

CHAPTER OVERVIEW

Intellectual property law protects the results of human creative endeavor. Intellectual property is generally thought to comprise four separate fields of law: trademarks, copyrights, patents, and trade secrets. A *trademark* is a word, name, symbol, or device used to identify and distinguish one's goods or services and to indicate their source. Rights in trademarks are created by use of a mark; registration with the U.S. Patent and Trademark Office (USPTO) is not required, although it offers certain advantages. *Copyright* protects original works of authorship, including literary, musical, dramatic, artistic, and other works. Just as trademarks are protected from the moment of their first public use, copyright exists from the moment of creation of a work in fixed form; registration of a copyright with the U.S. Copyright Office, while affording certain benefits, is not required. A *patent* is a grant from the U.S. government that permits its owner to exclude others from making, selling, using, or importing an invention. Patents exist only upon issuance by the USPTO. A *trade secret* consists of any valuable commercial information that, if known by a competitor, would provide some benefit or advantage to the competitor. No registration or other formalities are required to create a trade secret, and trade secrets endure as long as reasonable efforts are made to protect their secrecy.

INTELLECTUAL PROPERTY LAW BASICS

Intellectual Property Defined

There are three distinct types of property that individuals and companies can own: **real property** refers to land or real estate; **personal property** refers to specific items and things that can be identified, such as jewelry, cars, and artwork; and *intellectual property* refers to the fruits or product of human creativity, including literature, advertising slogans, songs, or new inventions. Thus, property that is the result of thought, namely, intellectual activity, is called **intellectual property (IP)**. In some foreign countries, intellectual property (especially patents and trademarks) is referred to as **industrial property**.

Many of the rights of ownership common to real and personal property are also common to intellectual property. Intellectual property can be bought, sold, and licensed. Similarly, it can be protected against theft or infringement by others. Nevertheless, there are some restrictions on use. For example, if you were to purchase the latest bestseller by John Grisham, you would be entitled to read the book, sell it to another, or give it away. You would not, however, be entitled to make photocopies of the book and then distribute and sell those copies to others. Those rights are retained by the author of the work and are protected by copyright law.

The Rationale for Protection of Intellectual Property

Intellectual property is a field of law that aims at protecting the knowledge created through human effort in order to stimulate and promote further creativity. Authors who write books and musicians who compose songs would be unlikely to engage in further creative effort unless they could realize profit from their endeavors. If their work could be misappropriated and sold by others, they would have no

incentive to create further works. Pharmaceutical companies would not invest millions of dollars into research and development of new drugs unless they could be assured that their inventions would enable them to recover these costs and develop additional drugs. Thus, not only the creators of intellectual property but the public as well benefit from protecting intellectual property.

On the other hand, if the owner of intellectual property is given complete and perpetual rights to his or her invention or work, the owner would have a monopoly and be able to charge excessive prices for the invention or work, which would harm the public. Intellectual property law attempts to resolve these conflicting goals so that owners' rights to reap the rewards of their efforts are balanced against the public need for a competitive marketplace. Thus, for example, under federal law, a patent for a useful invention will last for only 20 years from the date an application for the patent is filed with the USPTO. After that period of time, the patent expires, and anyone is free to produce and sell the product.

TYPES OF INTELLECTUAL PROPERTY

The term *intellectual property* is usually thought of as comprising four separate, but often overlapping, legal fields: trademarks, copyrights, patents, and trade secrets. Although each of these areas will be discussed in detail in the chapters that follow, a brief introduction to each discipline is helpful. (See chart on inside front and back covers of text comparing and contrasting the various types of intellectual property.)

Trademarks and Service Marks

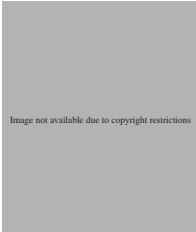
What Is Protectable. A trademark or service mark is a word, name, symbol, or device used to indicate the source, quality, and ownership of a product or service. A **trademark** is used in the marketing



of a product (such as REEBOK® for shoes), while a **service mark** typically identifies a service (such as STARBUCKS® for retail outlet services). A trademark or service mark identifies and distinguishes the products or services of one person from those of another.

In addition to words, trademarks can also consist of slogans (such as THE KING OF BEERS® for Budweiser beer), designs (such as the familiar “swoosh” that identifies Nike products), or sounds (such as the distinctive giggle of the Pillsbury Doughboy).

Trademarks provide guarantees of quality and consistency of the product or service they identify. Thus, upon encountering the golden arches that identify a McDonald’s restaurant, consumers understand the “Big Mac” they purchase in Chicago will be the same quality as one purchased in Seattle.



Companies expend a great deal of time, effort, and money in establishing consumer recognition of and confidence in their marks. Yet not all words, phrases, or symbols are entitled to protection as trademarks. A chain of stores that sells clothing could not obtain a registered trademark for “Clothing Goods” inasmuch as the name is generic, yet GAP® is a nationally recognized mark for the retail sale of clothing. Marks may not be protectable if they are generic in nature or merely descriptive of the type of products or services they identify. Generally, marks that are protectable are those that are coined (such as KODAK®), arbitrary (such as SHELL® for gasoline), or suggestive (such as STAPLES® for office supplies).

Federal Registration of Trademarks. Interstate use of trademarks is governed by federal law, namely, the U.S. Trademark Act (also called the Lanham Act), found at 15 U.S.C. §§ 1051 *et seq.* See Appendix E. Additionally, trademarks are provided

for in all 50 states so that marks that cannot be federally registered with the USPTO because they are not used in interstate commerce can be registered in the state in which they are used.

In the United States, trademarks are generally protected from their date of first public use. Registration of a mark is not required to secure protection for a mark, although it offers numerous advantages, such as allowing the registrant to bring an action in federal court for infringement of the mark. Applications for federal registration of trademarks are made with the USPTO. Registration is a fairly lengthy process, generally taking anywhere from 10 to 24 months or even longer. The filing fee is \$325 per mark per class of goods or services covered by the mark if the application is filed electronically.

A trademark registration is valid for 10 years and may be renewed for additional 10-year periods thereafter as long as the mark is in use in interstate commerce. Additionally, registrants are required to file an affidavit with the USPTO between the fifth and sixth years after registration and every 10 years to verify the mark is in continued use. Marks not in use are then available to others.

Trademarks are among the most visible items of intellectual property, and it has been estimated that the average resident of the United States encounters approximately 1,500 different trademarks each day and 30,000 if one visits a supermarket. A properly selected, registered, and protected mark can be of great value to a company or individual desiring to establish and expand market share. There is perhaps no better way to maintain a strong position in the marketplace than to build goodwill and consumer recognition in the identity selected for products and services and then to protect that identity under federal trademark law.

Copyrights

What Is Protectable. **Copyright** is a form of protection governed exclusively by federal law (17 U.S.C. §§ 101 *et seq.*) granted to the authors of

original works of authorship, including literary, dramatic, musical, artistic, and certain other works. See Appendix E. Thus, books, songs, plays, jewelry, movies, sculptures, paintings, and choreographic works are all protectable. Computer software is also protectable by copyright.

Copyright protection is available for more than merely serious works of fiction or art. Marketing materials, advertising copy, and cartoons are also protectable. Copyright is available for original works; no judgment is made about their literary or artistic quality. Nevertheless, certain works are not protectable by copyright, such as titles, names, short phrases, or lists of ingredients. Similarly, ideas, methods, and processes are not protectable by copyright, although the expression of those ideas is.

Copyright protection exists automatically from the time a work is created in fixed form. Thus, similar to trademark law, securing a registration for a work (with the U.S. Copyright Office) is not required for a work to be protected, although registration does provide significant advantages, such as establishing a public record of the copyright claim and providing a basis upon which an infringement suit may be brought in federal court and in which statutory damages and attorneys' fees may be recovered.

The owner of a copyright has the right to reproduce the work, prepare derivative works based on the original work (such as a sequel to the original), distribute copies of the work, and to perform and display the work. Generally, violations of such rights are protectable by infringement actions. Nevertheless, some uses of copyrighted works are considered "fair use" and do not constitute infringement, such as use of an insignificant portion of a work for non-commercial purposes or parody of a copyrighted work.

Federal Registration of Copyrights. Neither publication nor registration of a work is required for copyright protection, inasmuch as works

are protected under federal copyright law from the time of their creation in a fixed form. Registration, however, is inexpensive, requiring only a \$35 filing fee (for applications filed electronically), and the process is expeditious. In most cases, the Copyright Office processes electronically filed applications in about three months.

Generally, copyrighted works are automatically protected from the moment of their creation for a term generally enduring for the author's life plus an additional 70 years after the author's death. After that time, the work will fall into the public domain and may be reproduced, distributed, or performed by anyone. The policy underlying the long period of copyright protection is that it may take several years for a painting, book, or opera to achieve its true value, and, thus, authors should receive a length of protection that will enable the work to appreciate to its greatest extent.

Patents

What Is Protectable. A **patent** is a grant from the U.S. government that permits its owner to prevent others from making, using, importing, or selling an invention. There are three types of patents: utility patents, which are the most common patents and which cover useful inventions and discoveries (such as the typewriter, the automobile, and genetically altered mice); design patents, which cover new, original, and ornamental designs for articles (such as furniture); and plant patents, which cover new and distinct asexually reproduced plant varieties (such as hybrid flowers or trees).

Patent protection is available only for useful, novel, and nonobvious inventions. Generally, patent law prohibits the patenting of an invention that is merely an insignificant addition to or minor alteration of something already known. Moreover, some items cannot be protected by patent, such as pure scientific principles.

Federal Registration of Patents. Patents are governed exclusively by federal law (35 U.S.C. §§ 100 *et seq.*). See Appendix E. To obtain a patent, an inventor must file an application with the USPTO (the same agency that issues trademark registrations) that fully describes the invention. Patent prosecution is expensive, time-consuming, and complex. Costs can run into the thousands of dollars, and it generally takes about three years for the USPTO to issue a patent.

Patent protection exists for 20 years from the date of filing of an application for utility patents (assuming that certain fees are paid to maintain the patent in force) and plant patents and 14 years from the date of grant for design patents. After this period of time, the invention falls into the public domain and may be used by any person without permission.

Patents promote the public good in that patent protection incentivizes inventors. In return for fully describing the invention in the patent application, the inventor is granted an exclusive but limited period of time within which to exploit the invention. After the patent expires, any member of the public is free to use, manufacture, or sell the invention. Thus, patent law strikes a balance between the need to protect inventors and the need to allow public access to important discoveries.

Trade Secrets

What Is Protectable. A **trade secret** consists of any valuable business information that, if known by a competitor, would afford the competitor some benefit or advantage. There is no limit to the type of information that can be protected as trade secrets; recipes, marketing plans, financial projections, and methods of conducting business can all constitute trade secrets. There is no requirement that a trade secret

be unique or complex; thus, even something as simple and nontechnical as a list of customers can qualify as a trade secret as long as it affords its owner a competitive advantage and is not common knowledge.

If trade secrets were not protectable, companies would have no incentive to invest time, money, and effort in research and development that ultimately benefits the public. Trade secret law thus promotes the development of new methods and processes of doing business in the marketplace.

Protection of Trade Secrets. Although trademarks, copyrights, and patents are all subject to extensive statutory schemes for their protection, application, and registration, there is no equivalent federal law system for trade secrets, and no formalities are required to obtain rights to trade secrets. Trade secrets are generally protectable under various state statutes and cases and by contractual agreements between parties. For example, employers often require employees to sign confidentiality agreements in which employees agree not to disclose proprietary information owned by the employer.

If properly protected, trade secrets may last forever. On the other hand, if companies fail to take reasonable measures to maintain the secrecy of the information, trade secret protection may be lost. Thus, disclosure of the information should be limited to those with a “need to know” it so as to perform their duties; confidential information should be kept in secure or restricted areas; and employees with access to proprietary information should sign **nondisclosure agreements**. If such measures are taken, a trade secret can be protected in perpetuity.

Another method by which companies protect valuable information is by requiring employees to sign agreements promising not to compete with the employer after leaving the job. Such covenants are

strictly scrutinized by courts, but in most states (but not California where such covenants are invalid), if they are reasonable in regard to time, scope, and subject matter, they are enforceable.

Other Intellectual Property Rights

Although the most common types of intellectual property are trademarks, copyrights, patents, and trade secrets, other intellectual property rights exist and will be discussed in the chapters that follow. Some of these rights include semiconductor chip protection, plant variety protection, the right of publicity, and rights relating to unfair competition, including passing off, misappropriation, and false advertising.

Additionally, intellectual property rights often intersect and overlap. Thus, the formula for Coca-Cola is a trade secret, while the distinctive script in which the words COCA-COLA® are displayed is a trademark. Generally, computer programs may be protectable under copyright law, patent law, and as trade secrets, while the name for a computer program, such as WINDOWS®, qualifies for trademark protection. Jewelry may be protected both under copyright and design patent law. Legal practitioners in the field of intellectual property law must fully understand how the various types of intellectual property intersect so that clients can achieve the widest possible scope of protection. For example, although an item of jewelry can be protected as a design patent, securing a patent is complex and expensive. Moreover, a design patent lasts only 14 years from the date of grant of the patent. In contrast, securing copyright protection for the same article of jewelry is easy and inexpensive. More importantly, copyright protection endures during the life of the work's creator and for 70 years thereafter. Trade secrets that are properly protected can endure perpetually. Thus, intellectual property

owners need to consider the complementary relationships among trademark, copyright, patent, and trade secrets law so as to obtain the broadest possible protection for their assets.

AGENCIES RESPONSIBLE FOR INTELLECTUAL PROPERTY REGISTRATION

U.S. Patent and Trademark Office

The agency charged with granting patents and registering trademarks is the **U.S. Patent and Trademark Office (USPTO)**, one of several bureaus or agencies within the U.S. Department of Commerce. The USPTO, founded more than 200 years ago, employs more than 10,000 employees and is presently located in several buildings at its campus in Alexandria, Virginia. Mailing addresses vary depending on whether the matter relates to patents or trademarks. The USPTO is physically located at 600 Dulany Street, Alexandria, Virginia 22314. Its website is <http://www.uspto.gov>. The USPTO website offers a wealth of information, including helpful information about trademarks and patents, fee schedules, forms, and the ability to search and apply for trademarks and patents. Since 1991, under the Omnibus Budget Reconciliation Act, the USPTO has operated in much the same way as a private business, providing valued products and services to customers in exchange for fees that are used to fully fund USPTO operations. It uses no taxpayer funds.

The USPTO is one of the busiest of all government agencies, and as individuals and companies continue to value the importance of intellectual property assets, greater demands are being made on the USPTO. For example, from 2005 to 2011, the number of trademark applications received by the USPTO increased by 23 percent, and the number of patent applications received increased 31 percent.

In 2011, the USPTO issued 244,430 patents and registered 177,661 trademarks.

Legislation passed in 1997 established the USPTO as a performance-based organization that is managed by professionals, resulting in the creation of a new political position, Under Secretary of Commerce for Intellectual Property and Director of the USPTO. Changing the USPTO from a mere governmental agency to a governmental corporation made the USPTO equivalent to other similar organizations, such as the Tennessee Valley Authority and the Federal Deposit Insurance Corporation. Performance-based organizations have considerable flexibility in personnel matters and set specific goals and objectives to achieve. In brief, the USPTO operates more like a business with greater autonomy over its budget, hiring, and procurement. Additionally, the USPTO website's searchable database includes information about all U.S. patents from the first patent issued in 1790 to the most recent, with full information for all patents since 1976 and the text and images of more than four million pending and registered federal trademarks. Users can view, download, and print the images of these patents and trademarks. The USPTO has nearly completed its transition from paper to electronic filing for both trademarks and patents. Nearly 100 percent of trademark applications and about 90 percent of patent applications were filed electronically in 2011.

The USPTO is led by the Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office (the "Director"), who is appointed by the president. The Secretary of Commerce appoints a Commissioner for patents and a Commissioner for trademarks.

Cases relating to IP law are published in a variety of sources. One excellent reporter is *United States Patent Quarterly* (U.S.P.Q.), covering IP cases (relating to patents, trademarks, copyrights, and

trade secrets) from 1929 to 1986, and U.S.P.Q.2d, covering IP cases from 1987 to date. In addition to publishing various federal cases relating to patents and trademarks, this set, published by the Bureau of National Affairs (BNA), Inc., also publishes administrative decisions of the Commissioner of Patents and Trademarks. Subscribers to the set receive weekly advance sheets with the most current cases; bound volumes are issued quarterly. Most law firms that specialize in IP work subscribe to this set. The set is also available through LexisNexis and Westlaw, the computer-assisted legal research systems.

Additionally, numerous cases are available through the USPTO website.

Library of Congress

The **Library of Congress**, sometimes referred to as "Jefferson's Legacy," was established in 1800 as a legislative library. It is America's oldest, national cultural institution and is the largest library in the world. Thomas Jefferson is considered the founder of the Library of Congress, and his personal library is at the heart of the library, inasmuch as in 1814 the library's 3,000 volumes were burned by the British, and the next year Jefferson sold his personal library collection of 6,487 volumes to the Library of Congress for \$23,950.

The U.S. Copyright Office has been a part of the Library of Congress since 1870 and is in charge of examining the approximately 600,000 copyright applications filed each year, issuing registrations, and maintaining copyright deposits in its vast collection.

The Copyright Office is located at 101 Independence Avenue SE, Washington, DC 20559-6000, and its website is <http://www.copyright.gov>. Basic information about copyrights, forms, and other valuable information can be obtained for free and downloaded from the Copyright Office's website.

ETHICS
EDGE

DUTY OF COMPETENCE

The duty of competent legal representation is so important that it is the first substantive statement promulgated by the Model Rules of Professional Conduct of the American Bar Association. Rule 1.1 provides that competent representation requires the legal knowledge, skills, thoroughness, and preparation necessary for the representation of a client. Thus, although only an attorney may give legal advice and counsel a client as to the best strategy to protect his or her intellectual property, paralegals are expected to provide competent assistance. Paralegals thus have a duty to keep current with IP developments and cases in order to fulfill this duty of competence.

INTERNATIONAL
ORGANIZATIONS,
AGENCIES, AND TREATIES

There are a number of international organizations and agencies that promote the use and protection of intellectual property. Although these organizations are discussed in more detail in the chapters to follow, a brief introduction may be helpful.

- **International Trademark Association (INTA)** is a not-for-profit international association composed chiefly of trademark owners and practitioners. More than 5,500 trademark owners and professionals in more than 190 countries belong to INTA, together with others interested in promoting trademarks. INTA offers a wide variety of educational seminars and publications, including many worthwhile materials available at no cost on the Internet (see INTA's home page at <http://www.inta.org>). INTA is located at 655 Third Avenue, 10th Floor, New York, NY 10017-5617 (212/642-1700).
- **World Intellectual Property Organization (WIPO)** was founded in 1970 and is a specialized

agency of the United Nations whose purposes are to promote intellectual property throughout the world and to administer 24 treaties dealing with intellectual property, including the Paris Convention, Madrid Protocol, the Trademark Law Treaty, the Patent Cooperation Treaty, and the Berne Convention. More than 180 nations are members of WIPO. WIPO is headquartered in Geneva, Switzerland, and its home page is <http://www.wipo.int>

- **World Trade Organization (WTO)** was organized in 1995 and deals with rules of trade among its more than 150 member nations. It resolves trade disputes and administers various agreements, including those relating to intellectual property. It is headquartered in Geneva, Switzerland, and its website is <http://www.wto.org>

There are also a number of international agreements and treaties that affect intellectual property. Among them are the following:

- **Berne Convention for the Protection of Literary and Artistic Works (the Berne Convention).** The Berne Convention was created

in 1886 under the leadership of Victor Hugo to protect literary and artistic works. It has more than 160 member nations. The United States became a party to the Berne Convention in 1989. The Berne Convention is administered by WIPO and is based on the precept that each member nation must treat nationals of other member countries like its own nationals for purposes of copyright (the principle of “national treatment”).

- **Madrid Protocol.** The Madrid Protocol came into existence in 1996 and allows trademark protection for more than 80 countries, including all 27 countries of the European Union, by means of a centralized, trademark-filing procedure. The United States implemented the terms of the Protocol in late 2003. This treaty facilitates a one-stop, low-cost, efficient system for the international registration of trademarks by permitting a U.S. trademark owner to file for international registration in any number of member countries by filing a single, standardized application form with the USPTO, in English, with a single set of fees.
- **Paris Convention.** One of the first treaties or “conventions” designed to address trademark protection in foreign countries was the Paris Convention of 1883, adopted to facilitate international patent and trademark protection. The Paris Convention is based on the principle of reciprocity, so that foreign trademark and patent owners may obtain in a member country the same legal protection for their marks and patents as can citizens of those member countries. Perhaps the most significant benefit provided by the Paris Convention is that of priority. An applicant for a trademark has six months after filing an application in any of the more than 170 member nations to file a corresponding application in any of the other

member countries of the Paris Convention and obtain the benefits of the first filing date. Similar priority is afforded for utility patent applications, although the priority period is one year rather than six months. The Paris Convention is administered by WIPO.

- **North American Free Trade Agreement (NAFTA).** The NAFTA came into effect on January 1, 1994, and is adhered to by the United States, Canada, and Mexico. The NAFTA resulted in some changes to U.S. trademark law, primarily with regard to marks that include geographical terms.
- **Agreement on Trade-Related Aspects of Intellectual Property (TRIPS).** Negotiated from 1986–1994, TRIPS is administered by the World Trade Organization and establishes minimum levels of protection that member countries must give to fellow WTO members. Computer programs must be protected as copyrightable literary works, and countries must prevent misuse of geographical names such as Roquefort or Champagne.

(See Appendix A, Table of Treaties.)

THE INCREASING IMPORTANCE OF INTELLECTUAL PROPERTY RIGHTS

Although people have always realized the importance of protecting intellectual property rights, the rapidly developing pace of technology has led to increased awareness of the importance of intellectual property assets. Some individuals and companies offer only knowledge. Thus, computer consultants, advertising agencies, Internet companies, and software implementers sell only brainpower. Similarly, some forms of intellectual property, such as domain names and moving images shown on a company’s Web page, did not even exist until relatively recently.

Internet domain names such as “www.ibm.com” are valuable assets that must be protected against infringement.

The International Intellectual Property Alliance estimates that total copyright industries accounted for 11 percent of the U.S. gross domestic product in 2007 and that more than 11 million workers are employed by these industries. Additionally, nearly \$126 billion of U.S. exports now depend on some form of intellectual property protection, including pharmaceuticals, motor vehicles, and aircraft and associated equipment.

Moreover, the rapidity with which information can be communicated through the Internet has led to increasing challenges in the field of intellectual property. Within hours after the world premiere of the movie *Episode III—Revenge of the Sith*, counterfeit copies were available on the streets of New York City for just a few dollars, and the movie was also

available on the website BitTorrent for free downloading. Books, movies, and songs can now be copied, infringed, and sold illegally with the touch of a keystroke.

The Office of the United States Trade Representative has estimated that U.S. industries lose between \$200 billion and \$250 billion annually from piracy, counterfeiting of goods, and other intellectual property infringements.

In many cases, the most valuable assets a company owns are its intellectual property assets. For example, the value of the trademarks and service marks owned by the Coca-Cola Company has been estimated at more than \$70 billion, making it the world’s most valuable brand. Thus, companies must act aggressively to protect these valuable assets from infringement or misuse by others. The field of intellectual property law aims to protect the value of such investments.

TRIVIA

- The value of Microsoft Corporation’s brand is estimated to be \$59 billion.
- In 2010, *Avatar* was the film illegally downloaded most often.
- In late 2009, Vice President Biden referred to copyright piracy as “flat, unadulterated theft.”
- The USPTO collects more than \$5 million each day in fees.
- In early 2011, Senator Charles Grassley stated that a recent report estimated that the global value of counterfeit and pirated goods exceeded \$650 billion.
- Some of our U.S. presidents have been prolific inventors:
 - Thomas Jefferson invented the swivel chair, a macaroni machine, and a cipher wheel (used to code and decode messages). Jefferson did not apply for any patents, believing all people should have access to new technology.
 - George Washington registered a trademark for his brand of flour in 1772.
 - Abraham Lincoln, the only president to hold a patent, patented an invention in 1849 for a method of steering a boat through shallow waters. The model, made by Lincoln himself, is in the Smithsonian Institution. You may view the patent at the USPTO’S website by searching for Patent. No. 6,469.

TRIVIA

CHAPTER SUMMARY

The term *intellectual property* is generally thought of as comprising four overlapping fields of law: trademarks (protecting names, logos, symbols, and other devices indicating the quality and source of products and services); copyrights (protecting original works of authorship); patents (grants by the federal government allowing their owners to exclude others from making, using, or selling the owner's invention); and trade secrets (any commercial information that, if known by a competitor, would afford the competitor an advantage in the marketplace). Patents must be issued by the federal government, whereas rights in trademarks are created by use of marks, and rights in copyright exist from the time a work is created in fixed form. Nevertheless, registration of trademarks and copyrights offers certain advantages and benefits. Trade secrets are governed by various state laws, and registration is not required for existence and ownership of a trade secret. Trademarks and trade secrets can endure perpetually as long as they are protected, while copyrights and patents will fall into the public domain and be available for use by anyone after their terms expire.

As our world becomes increasingly reliant on technological advances, greater demands and challenges are made on IP practitioners. The field is an exciting and challenging one and offers significant opportunities for hands-on involvement by IP professionals.

CASE ILLUSTRATION

POLICIES UNDERLYING INTELLECTUAL PROPERTY LAW

Case: *Mazer v. Stein*, 347 U.S. 201 (1954)

Facts: After partners made china statuettes and obtained copyright registrations for them, other parties copied them and began using the statuettes as bases for table lamps. The original makers of the statuettes sued for copyright infringement.

Holding: The copyrights were valid and could be infringed. The economic philosophy underlying the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to promote the public welfare through the talents of authors and inventors. The fact that the statuettes could be patented as lamps did not bar their protection under copyright law.

CASE STUDY AND ACTIVITIES

Case Study: Your firm's client, Holiday Cruises, Inc., operates a cruise line. Its various ships make both domestic and international cruises. The cruise ships offer a wide variety of activities for their guests and provide on-board restaurants, offshore excursions, and many other entertainment options. When guests check in, they are issued a "Holi-Day Pass," a laminated card that allows them to purchase beverages and other items aboard ship. Guests also have access to Fit Ship, the fitness centers on board each ship. These fitness centers offer a wide variety of exercise classes and fitness machines and equipment, including a new type of resistance band created by one of Holiday's employees. Holiday advertises its cruises on television and in magazines, often using a song, "Holidays Ahead," a song composed by one of Holiday's employees. Holiday is currently considering offering cruises to various ports in Mexico and is conducting confidential market surveys to determine the level of interest in such cruises.

Activities: Identify the intellectual property Holiday might own.

ROLE OF PARALEGAL

Because of the increasing array of intellectual property (IP) that can be created in our high-tech society and the increasing ease with which it can be infringed, intellectual property law is a growing practice area. Ten years ago, few law firms had intellectual property law departments, and intellectual property matters were handled by small firms that specialized in the field. Today, nearly every large law firm has a department devoted exclusively to intellectual property, and IP professionals are courted and valued. In many cases, specialists in the field of intellectual property law are paid more than their counterparts in other fields. For example, the National Association of Legal Assistants reported in 2010 that paralegals who devote more than 40 percent of their time to IP matters make more than 12 percent more than the average paralegal.

Among the tasks commonly performed by IP paralegals are the following:

- Assisting in trademark searching to clear marks for use and preparing, filing, and monitoring trademark registration applications, maintenance, and renewal documents;
- Preparing, filing, and monitoring copyright registration applications;
- Assisting in patent searching and preparing, filing, and monitoring patent applications;
- Docketing all dates for responses to the USPTO and Copyright Office and docketing dates to maintain trademark and patent registrations in force;
- Serving as a liaison with clients and keeping them informed of all matters relating to their IP portfolios;
- Drafting license agreements for licensing of trademarks, copyrights, and patents;
- Preparing employment agreements and noncompetition agreements;
- Assisting in intellectual property audits to determine the extent and value of a client's intellectual property; and
- Assisting in protection of trade secrets by developing and implementing policies for protection of trade secrets.

Many of the issues presented in intellectual property law are cutting-edge issues: protection of Internet domain names; copyright piracy on the Internet; downloading of music and movies from Internet file-sharing sites; importation of counterfeited or “knockoff” goods; and development and patenting of wonder drugs. Thus, the field is exciting and presents unique opportunities for learning and growth. Additionally, there is a great deal of client contact, and playing a part in a client’s selection of a new name or mark for a product, bringing a new product to market, and protecting that property from infringement or misappropriation by others is interesting and exciting.

In sum, intellectual property is a growing, exciting, and dynamic area, offering unique opportunities and challenging work. The field changes on nearly a daily basis, the issues are interesting, and IP paralegals are valued members of a legal team devoted to ensuring that clients receive the broadest possible scope of protection for their creative assets.

INTERNET RESOURCES

Federal statutes governing intellectual property:	http://www.fdsys.gov http://www.law.cornell.edu http://www.findlaw.com
Trademark and patent information, forms, and fees:	http://www.uspto.gov
Copyright information, forms, and fees:	http://www.copyright.gov
International treaties and agreements:	http://www.wipo.int
General information on intellectual property topics:	http://law.unh.edu/ipmall http://www.megalaw.com

DISCUSSION QUESTIONS

1. Singer and composer Katy Perry was born in 1984 and was cowriter of her hit song “Hot N Cold” in 2008. When will the copyright in this song expire?
2. The trademark JOHN DEERE was registered for plows and lawn mowers with the USPTO in 1913. How long will protection for this mark last?
3. Kylie Harrison has invented a new type of camera and intends to call it CUTIE CAM in various advertising and marketing materials. The specific plans for the launch of the product are known only to Kylie and the company she has hired to publicize CUTIE CAM. Identify the types of intellectual property rights Kylie owns.
4. Determine whether the following items are protectable as trademarks, copyrights, patents, or trade secrets:
 - The Lacoste alligator that is displayed on men’s and women’s clothing
 - The book *The Help*, written by Kathryn Stockett

- Journal entries prepared on a computer word processor by Secretary of State Hillary Clinton
 - A new device that removes dents from cars
 - AMERICAN IDOL, used in connection with a television talent show
 - A new song composed by Taylor Swift
 - A company's plans to test-market its new television
5. American author Nathaniel Hawthorne published his novel *The Scarlet Letter* in 1850, 14 years before his death in 1864. May a movie based on the novel be made without permission or is the novel still protected by copyright protection?
 6. The novel *True Grit*, originally published in 1968, has seen a resurgence in popularity after the movie was remade in 2011. The author of the novel, Charles Portis, was born in 1933. When will the rights to this novel fall into the public domain?
 7. Steve filed a patent for his new refrigerator on April 5, 2009. The patent was granted by the USPTO on July 14, 2010. What is the term of protection for this item?
 8. Hannah filed a design patent for a necklace on August 12, 2010. The patent was granted by the USPTO on September 10, 2011. What is the term of protection for this item?

USING INTERNET RESOURCES

1. Access the website of the USPTO.
 - a. Locate the Glossary. What is the definition of a trademark?
 - b. Locate the FAQs for the Madrid Protocol. What is the duration of an international trademark registration under the Madrid Protocol?
 - c. What is the basic filing fee to file a utility patent application?
2. Access the website of the Copyright Office. Review the FAQs.
 - a. Can a domain name be copyrighted?
 - b. Can a website be copyrighted?
 - c. Does a work have to be published to be protected under copyright law?
3. Access the fee schedule for the U.S. Copyright Office. What is the fee to electronically file a basic claim of copyright? What is the fee if one files a paper application, using Form TX?
4. Access the Factsheets posted on the website of the U.S. Copyright Office. Are the ingredients for a recipe for spinach salad copyrightable? If the recipe is included with others in a cookbook that also includes illustrations and text, is the product copyrightable?
5. Access the U.S. Code. What is the subject matter of 17 U.S.C. § 105?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.

PART TWO



THE LAW OF TRADEMARKS

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CHAPTER 2

Foundations of Trademark Law

CHAPTER OVERVIEW

Trademarks surround us every day and help us make valuable and informed decisions about the products and services we purchase. There are four types of marks: *trademarks* are used for goods; *service marks* are used for services; *certification marks* are used to certify some quality of a product or service; and *collective marks* indicate membership in an organization. Some marks, namely those that are coined or “made up,” like EXXON®, are stronger than others, namely those that describe or suggest something about a good or service. Not all matter is protectable; marks that disparage a person or that are scandalous cannot be protected. On the other hand, even some unusual devices can be protected, such as sounds and fragrances. Trademarks come into existence through use; they need not be registered with the U.S. Patent and Trademark Office (USPTO) to be protected, although federal registration affords several advantages to a trademark owner.

INTRODUCTION

Although there was some use of trademarks or symbols in the Middle East and Far East several centuries ago, contemporary trademark law can be traced back to use of trademarks during the medieval period in Europe by merchants who sought to distinguish the goods they sold from those sold by others by applying a mark or symbol to their goods. By viewing the mark, purchasers would immediately be able to identify the craftsperson who made the goods and make an



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informed decision about the quality of the materials. The use of symbols by medieval craftspeople to distinguish and identify their goods is the direct antecedent for the modern use of trademarks

such as COCA-COLA®, MICROSOFT®, and CREST®. (See Exhibit 2–1, History of Trademarks.)

PURPOSE AND FUNCTION OF TRADEMARKS

Trademarks perform two critical functions in the marketplace: They provide assurance that goods are of a certain quality and consistency and they assist consumers in making decisions about the purchase of goods. If a trademark such as NIKE® could be counterfeited and used by another on inferior merchandise, there would be no incentive for the owners of the NIKE mark to produce high-quality shoes and to expend money establishing consumer recognition of the products offered under the NIKE marks. Thus, protection of trademarks results in increased

The U.S. Patent and Trademark Office believes that the importance of trademarks dates back 7,000 years to about 5000 B.C., when drawings showing bison with distinctive symbols on their flanks appeared in the caves of prehistoric man. These were likely some kind of ownership mark, that is, a trademark that identified those particular bison as being the property of a specific owner and distinguished those bison from the bison of others.

By 500 B.C., a real economic use of trademarks can be documented in ancient Rome, where evidence has been found of bricks stamped with the mark of the brick manufacturer.

There is little to be found about the use and growth of trademarks between the fall of the Roman Empire and the Renaissance. The Renaissance, however, brought with it a celebration of the arts, and trademarks reemerged in a significant way. In about the twelfth century, trade guilds began using marks to identify goods made by their members. In 1266, the earliest English law on trademarks, the Bakers Marking Law, came into being. This law allowed bakers to identify their breads by stamping a mark on the loaf or pricking the loaf in a particular and recognizable pattern.

The first reference to trademark infringement litigation occurred in 1618 when a clothier who produced inferior cloth used the mark of a superior cloth producer and was brought to court in the English case of *Southern v. How*, 79 Eng. Rep. 1243 (K.B. 1618).

The origin of American trademark protection came in the sailcloth manufacturing industry. In 1791, as a result of concerns of sailcloth makers, Thomas Jefferson recommended the creation of trademark legislation based on the Commerce Clause of the Constitution. In 1879, the United States finally enacted its first trademark legislation, and the first registered trademark was registered under that law. The mark, used to identify liquid paints by Averill Paints, was dominated by the depiction of an eagle.

EXHIBIT 2–1 History of Trademarks (From USPTO website at <http://www.uspto.gov>)

competition in the marketplace, with both the producer of goods and services and the consumer as the ultimate beneficiaries. Businesses benefit because they can reap the rewards of their investment in developing and marketing a product without fearing another business will deceive consumers by using the same or a confusingly similar mark for like goods, and consumers benefit because they are able to identify and purchase desired goods.

The value inherent in achieving consumer loyalty to a particular product or service through the maintenance of consistent quality of the products or services offered under a mark is called **goodwill**. The goodwill associated with a trademark continues to increase over time as additional sales are made of the product offered under a mark and consumers associate the mark with its owner and continue to desire to do business with a seller who offers the products they like. There is no doubt that the name recognition or goodwill inherent in a trademark can be among a company's most valuable assets. As discussed in Chapter 1, the COCA-COLA marks have been valued at more than \$70 billion, and the COCA-COLA mark is the most recognized mark in the world.

Trademarks thus provide the following functions:

- They identify one maker's goods or services and distinguish them from those offered by others;
- They indicate that all goods or services offered under the mark come from a single producer, manufacturer, or "source";
- They indicate that all goods or services offered under the mark are of consistent quality; and
- They serve as an advertising device so that consumers link a product or service being offered with a mark (e.g., when many consumers see or hear the phrase JUST DO IT®, they immediately think of Nike products).

Thus, a consumer who purchases GAP® khaki pants in Dallas is assured that the fit and style is the same as a pair that would be purchased in

Philadelphia, and that the item is the product of a single source, namely, Gap LLC.

Trademark law is a part of the broader law of unfair competition or unfair trade practices. Infringement of another's trademark is a species of unfair competition. Other acts of unfair competition include false advertising and infringement of copyrights, patents, or trade names. The law of unfair competition is meant to protect consumers and eliminate unfair business practices. Trademark law is a vital part of the broad protection afforded by the law of unfair competition. The law of unfair competition is fully discussed in Chapter 23.

TYPES OF MARKS: TRADEMARKS, SERVICE MARKS, CERTIFICATION MARKS, AND COLLECTIVE MARKS

There are four different types of marks: trademarks, service marks, certification marks, and collective marks.

The modern definition of *trademark* is that it is a word, name, symbol, or device, or a combination thereof, used by a person (including a business entity), or that a person has a bona fide intention to use in commerce, to identify and distinguish his or her goods from those manufactured or sold by others and to indicate the source of those goods (15 U.S.C. § 1127). A *service mark* is a word, name, symbol, or device, or a combination thereof, used by a person, or that a person has a bona fide intention to use in commerce to identify and distinguish the services of one person from those of others and to indicate the source of those services.

Thus, a trademark is used to identify goods, such as CHEERIOS® for cereal, LEXUS® for cars, or

YAHOO!

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Cheerios

JIM BEAM® for whiskey. A service mark is used to identify *services*, such as H&R BLOCK® for financial planning services, THE PALM® for restaurant services, and FEDEX® for package delivery services.

While the term *trademark* thus refers to some physical and tangible good and *service mark* refers to an intangible service, in common usage the term *trademark* is often used to refer to marks for both goods and services. Throughout this text, discussions related to “trademarks” will also apply to service marks unless otherwise noted. Similarly, the term **mark** will be used as a synonym for both trademarks and service marks. The federal statute governing trademark law, the U.S. Trademark Act (the Lanham Act, found at 15 U.S.C. § 1051 *et seq.*) itself, states that the term *mark* includes any trademark, service mark, collective mark, or certification mark. See Appendix E (15 U.S.C. § 1127).

A **certification mark** is a word, name, symbol, device, or combination thereof, used by a person other than its owner to indicate one of three things: that goods or services have certain features in regard to quality, accuracy, material, mode of manufacture, or some other characteristic; to certify regional or other origin; or that the work done on the goods or services was performed by members of a union or other organization. Examples of certification marks are the Good Housekeeping and Underwriters’ Laboratories, Inc. seals of approval; DARJEELING®, a mark certifying that certain tea originates in the Darjeeling region of India; and FARMWORKERS AFL-CIO UNION LABEL®, used to certify that the labor involved in harvesting produce was performed by union members. Certification marks are, by their very nature, unlike any other types of marks. They do not indicate a single commercial source of the goods or services, and they are not used by the actual owner of the goods or services. Rather, the mark is placed on the goods or used in connection with the services of another to certify something about the goods or services. Thus, a toaster that carries the UL®

seal of approval signifies to consumers that the toaster has been reviewed, tested, and found to meet certain standards in regard to quality, safety, price, or some other characteristic. The toaster is not made by Underwriters’ Laboratories, Inc. It merely certifies that the goods on which its mark is placed meet certain objective and preestablished standards.

Similarly, the mark ILGWU INTERNATIONAL GARMENT WORKERS’ UNION MADE AFL-CIO (& DESIGN)® certifies that the work or labor done on garments was performed by members of the registrant’s union. The mark STILTON® certifies that cheese originates in certain counties in England. The owner of a certified mark may lose rights to the mark if it arbitrarily refuses to allow use of a mark by one whose products or services meet its stated certification standards.

A **collective mark** is one used by a collective membership organization, such as a labor union, fraternity, or professional society, to identify that the person displaying the mark is a member of the organization. Thus, the FUTURE FARMERS OF AMERICA® and PHI DELTA THETA® marks indicate membership in certain organizations.

(See Exhibit 2–2 for further examples of the four types of marks.)

A company may use several marks. An examination of a can of Coca-Cola may reveal multiple marks: the words COCA-COLA®, the stylized

Type of Mark	Example
Trademark	COMET® (for cleanser)
Service Mark	HYATT® (for lodging services)
Certification Mark	UNION MADE® (for clothing)
Collective Mark	AMERICAN BAR ASSOCIATION 1878® (for membership in an organization)

EXHIBIT 2–2 Types of Marks

WAVE DESIGN®, and the slogan THINGS GO BETTER WITH COKE®. All of these marks may be used on one product and all are protected by the Coca-Cola Company.

On some occasions, companies use **house marks** to establish recognition in a wide range of products or services. For example, General Mills has registered one mark, GENERAL MILLS® (with a cursive G), for numerous food products, including cereal, biscuit mixes, and mashed potatoes.

ACQUISITION OF TRADEMARK RIGHTS

In most foreign countries, trademark rights arise from registering the mark with a governmental entity. The law in the United States is quite different: Trademark rights arise from adoption and *use* of a mark, not from registration. Thus, a person using a mark may have valid and enforceable rights in a mark even though the mark is not registered with the USPTO. Such an owner will have priority (at least within a certain geographic area) even over a subsequent user who has secured a federal registration for a mark with the USPTO.

The “use” required to establish trademark rights is more than token use; it must be public use. Although significant sales are not required, there must be a bona fide business transaction, not merely some sham use. For example, sales within a company or to personal friends are insufficient to show use, while soliciting and accepting orders is usually sufficient to show commercial use.

Establishing a date of first use is critical for a trademark owner because priority of trademark rights is measured from this date. If one party first used a mark on September 15, 2010, and another first used a similar mark on October 15, 2010, the prior, or **senior, user** will be able to preclude the **junior user** from using a confusingly similar mark.

For a mark to be registrable, it must be based on use in commerce, meaning the type of commerce that can be regulated by Congress. Generally, the use is based on **interstate commerce**, or commerce between states, although it could be based on commerce between the United States and a foreign country. A purely intrastate use does not provide a basis for federal registration of a mark. The requirement of interstate commerce is satisfied if the goods or services are advertised in more than one state, offered to citizens of more than one state, or offered on the Internet, which is considered “use” in commerce because it is available to a national audience through the use of interstate telephone or cable lines or wireless transmission.

Although the general rule is that acquisition of trademark rights stem from use, there is one exception to this rule: the **intent-to-use application**. Until 1989, the United States was one of only two countries in the world that required that a mark be in actual use before an owner could file an application to register it.

After an applicant had begun using the mark and then filed an application, the USPTO might then refuse registration of the mark on the basis it was confusingly similar to a prior mark or was subject to some other defect. The applicant would then have invested substantial money and time in developing the mark; in using it in commerce, marketing, and advertising; and in applying for registration, only to be told the mark was unregistrable. To remedy this situation, the Trademark Law Revision Act of 1988 allowed persons to file applications for marks based on a bona fide intent to use the mark in commerce in the future. If the USPTO determines the mark is unregistrable, the applicant will not have expended any sums other than the USPTO filing fee and can readily file another application for a new mark. If the USPTO determines the mark is registrable, the applicant must then begin use of the mark in commerce and provide a statement verifying such use to the USPTO before

2-1-10	6-1-10	10-1-10	11-10-10
ABC Co. applies for VEE based on intent to use mark for toys	XYZ begins actual use of VEE for toys and applies for registration	ABC begins actual use of VEE	ABC secures registration for VEE. ABC's date of first use is presumed to be 2-1-10, and it can preclude XYZ, the later user, from using VEE for toys

EXHIBIT 2-3 Timeline for Intent-to-Use Applications

the mark can proceed to registration. Interestingly enough, however, once the mark proceeds to registration, priority is measured from the date the intent-to-use application was *filed*, even though that filing date may precede actual use in commerce by more than three years. (See Exhibit 2-3.)

Minimal or token use cannot serve as the basis for securing or maintaining a registration, ensuring that an owner does not reserve or “warehouse” a mark by making only sporadic use of it with the intent to block others from using it rather than having a true commercial intent to exploit the mark for sales. Moreover, the USPTO desires to clear its records of unused marks, or “deadwood,” so that such unused marks may be available to others.

The use required is “bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark” (15 U.S.C. § 1127). Thus, an owner must make use of a mark as would be typical in the industry or trade. If a product is extremely expensive, such that only a few units are sold each year, this may be sufficient use if such meager sales are the norm in the relevant industry.

Just as use is required to acquire rights in a mark, continued use is required to maintain rights in a mark. Failure to use a mark for three years creates a presumption the mark has been abandoned. Abandonment is further discussed in Chapter 5.

COMMON LAW RIGHTS, FEDERAL REGISTRATION UNDER THE LANHAM ACT, LAWS AND TREATIES GOVERNING TRADEMARKS, AND STATE TRADEMARK RIGHTS

Common Law Rights

As discussed, in the United States, trademark rights arise from use of a mark. It is not necessary to secure permission or registration from any governmental entity to acquire trademark rights. A party who is using a mark without any such governmental registration is said to have a **common law trademark**. This common law trademark can be enforced in any geographical area in which the mark is used. Thus, if an owner uses the mark CAKERY CRAVINGS in connection with a pastry shop in Portland, Oregon, the owner will be able to preclude later users from using a confusingly similar mark in connection with similar goods or services in its market area and in a reasonable area of expansion beyond.

Federal Registration

Although there is no requirement that a trademark owner apply for or secure federal registration of a

mark with the USPTO, registration on the USPTO's Principal Register does offer several advantages:

- Nationwide constructive use effective from the filing date of the application (meaning that the public is assumed to have notice that the registrant has nationwide priority in the use of its mark as of this date);
- Nationwide notice to the public of an owner's claim to a mark, thereby precluding a later user from claiming it used a mark in good faith in a remote territory and should be able to continue use;
- The ability to bar importation of goods bearing infringing trademarks (assuming the registration is deposited with the U.S. Customs and Border Protection);
- The right under the Paris Convention to obtain a registration in various foreign countries based upon the U.S. registration;
- The right to bring an action in federal court for trademark infringement and recover lost profits, damages, costs, and possibly triple damages and attorneys' fees;
- Incontestable status of the registration after five years of continuous use subsequent to the registration (meaning that the mark is immune to certain challenges), assuming appropriate documents are filed;
- The right to use the registration symbol (®) with the mark;
- A possible basis to claim priority to an Internet domain name; and
- *Prima facie* (literally, "on its face") evidence of the validity of the mark and of the registration, the registrant's ownership of the mark, and the registrant's exclusive right to use the mark in connection with the identified goods and services.

Additionally, because individuals routinely search the USPTO records before adopting a new

mark, a mark that is registered or applied for with the USPTO will be listed on the USPTO's online databases, which may deter a party from seeking a registration for a similar mark, thus avoiding expensive litigation.

In sum, while federal registration is not required to secure trademark rights, registration provides several advantages and enhances the level of protection an owner has for a mark.

Laws and Treaties Governing Trademarks

There are several laws and treaties governing trademarks, including the Lanham Act (many others will be further discussed in the chapters to come).

The federal statute governing trademark rights is the **Lanham Act** (also called the U.S. Trademark Act and found at 15 U.S.C. §§ 1051 *et seq.*), enacted in 1946 and named for Congressman Fritz Garland Lanham (D. Tex.), the then chair of the House Patent Committee (which also proposed legislation relating to trademarks) who introduced the legislation.

In addition to providing for federal trademark protection, the Lanham Act also includes statutes prohibiting unfair competition. The Lanham Act has been amended numerous times. Perhaps the most significant amendment occurred with the Trademark Law Revision Act of 1988, which provided the following two critical changes: allowing for a trademark application based on the applicant's bona fide intent to use a mark in the future (previously, applications were all based on actual use of the mark) and reducing the period of protection for federally registered marks from 20 years to 10 years (at which time the registration must be renewed). In addition to the Lanham Act, regulations relating to trademarks are found in Title 37 of the Code of Federal Regulations, entitled "Rules of Practice in Trademark Cases."

These rules and regulations explain how the trademark laws are to be carried out and implemented, provide procedures to be followed at the USPTO, and generally govern the day-to-day situations that may arise at the USPTO. For example, 37 C.F.R. § 2.52 describes the format and presentation of trademark drawings.

In addition to our trademark statutes and Title 37 of the Code of Federal Regulations, rules and regulations governing trademark applications and practice can be found in the **Trademark Manual of Examining Procedure** (8th ed. 2011), usually referred to as the “TMEP,” which is published by the USPTO and provides trademark examining attorneys, trademark applicants, and trademark attorneys with a reference work on the practices and procedures relating to the prosecution of trademark applications. In many instances, detailed information is given, and trademark practitioners keep the TMEP handy or bookmarked to serve as a reference tool for trademark issues and questions. For example, section 302.01 informs applicants that original documents are generally not required; photocopies are acceptable. The entire text of the TMEP is available for viewing and downloading through the USPTO website.

Following are key amendments to the Lanham Act:

- **North American Free Trade Agreement (NAFTA).** NAFTA became effective in 1994 as an agreement among Canada, Mexico, and the United States. NAFTA precludes registration of marks that are primarily geographically deceptively misdescriptive.
- **Trade-Related Aspects of Intellectual Property Rights (TRIPS).** TRIPS, a treaty signed by the United States in 1994, bars registration of a mark for wine or liquor if the mark identifies a place other than the origin of the goods and was first used after 1996. Thus, a new wine cannot use the mark “Napa” unless the product originates in that region of California. TRIPS also increased the period of time of nonuse of a mark that would result in abandonment from two years to three years.
- **Trademark Law Treaty Implementation Act (TLTIA).** TLTIA (which implemented the 1994 Trademark Law Treaty), effective in late 1999, simplified several requirements relating to trademark registration and maintenance. For example, at present, the applicant need only submit one specimen showing how a mark is used rather than three, as was previously required. Additionally, a trademark applicant need no longer state the manner in which the mark is used. Finally, TLTIA established a six-month grace period for filing a renewal for a trademark registration.
- **Anticybersquatting Consumer Protection Act.** The Anticybersquatting Consumer Protection Act was signed into law in late 1999 and is intended to protect the public from acts of Internet *cybersquatting*, a term used to describe the bad faith, abusive registration of Internet domain names, such as the registration of www.juliaroberts.com by one with no affiliation with Julia Roberts.
- **Madrid Protocol.** The Madrid Protocol became effective in November 2003 and allows trademark applicants or registrants to file a single international trademark application and obtain protection in any of the more than 80 countries that are parties to the Protocol. The Protocol thus facilitates efficient and cost-effective protection for marks on an international basis.
- **Federal Trademark Dilution Revision Act.** The Federal Trademark Dilution Revision Act protects famous marks by preventing others from using marks (even on unrelated goods) if they are likely to cause dilution of the famous mark either by “blurring” (causing the famous mark to lose its distinctiveness) or “tarnishment”

(harming the reputation of the famous mark). Thus, for example, the owner of NIKE may prevent another individual or entity from using the NIKE mark in connection with doughnuts or in connection with pornography.

- **Prioritizing Resources and Organization for Intellectual Property Act (“PRO-IP Act”).** The PRO-IP Act of 2008 created a new White House Intellectual Property Enforcement Coordinator or “Czar” to oversee and coordinate domestic and international IP enforcement activities, increased the range of penalties available in counterfeiting cases, and provides money so state and local governments can train law enforcement and educate the public about counterfeiting.

State Registration

It is possible that a mark may not qualify for federal registration, generally because it is not used in interstate commerce but is used only within the confines of one state, namely, in **intrastate commerce**. Thus, the owner of the CAKERY CRAVINGS mark used solely in Portland might seek to register the mark in Oregon. Each one of the 50 states (but not the District of Columbia) has its own trademark laws. Generally, obtaining a state registration is a fairly expeditious and inexpensive process. Forms are available from each state’s secretary of state, located in the state capital, and are available for downloading on the website of the secretary of state. The state registration (usually valid for 5 or 10 years) confers benefits only within the boundaries of the state. Thus, the owner of CAKERY CRAVINGS could not preclude another from using the same or a similar mark in Seattle, Washington. Armed with a *federal* registration, however, the owner could preclude the later Seattle user. There is no procedural or substantive advantage of securing state registrations in addition to a federal registration.

The federal registration is nationwide in scope and should be sought whenever a mark qualifies for federal registration. Use of a mark solely within the District of Columbia qualifies as “use” so as to support an application for federal registration of that mark. (See Appendix B for a summary of state trademark registration provisions.)

CATEGORIES OF MARKS

Although marks can consist of words, symbols, designs, slogans, or a combination thereof, not every term is protectable. Even among marks that are protectable, some marks are stronger than others. In determining strength of marks, courts recognize several categories of marks. In ascending order of strength and protectability, the five categories are generic, descriptive, suggestive, arbitrary, and fanciful or coined marks.

- A **generic mark** or term is not truly a mark at all but is merely a common name of a product, such as *car*, *soap*, or *beverage*. Such generic terms are not protectable and cannot be exclusively appropriated by one party inasmuch as they are needed by competitors to describe their goods. Thus, TOP RAMEN® serves as a trademark but “noodles” does not because it is a generic name. In some cases, marks that were once valid have become generic through misuse. Examples of words that were once trademarks but are now generic terms are *aspirin*, *cellophane*, *escalator*, and *thermos*. Thus, owners of many well-known marks take great pains to ensure their marks do not become generic. The familiar refrains “SCOTCH® brand adhesive tape” and “Q-TIP® brand cotton swabs” encountered in advertising are meant to protect marks and to ensure that consumers do not use the term *Scotch tape* to describe all adhesive tape or the term *Q-tip* to refer to any cotton swab, thereby “genericizing”

a once-valued trademark. Xerox's ad campaign "when you use 'Xerox' the way you use 'aspirin,' we get a headache" is similarly aimed to preserve the distinctiveness of the XEROX® mark. Generally, marks should be used as adjectives, as in "I need a KLEENEX tissue." Use of a trademark as a noun, as in "I need a Kleenex," will eventually lead to genericide of the mark and a loss of trademark rights. (See Chapter 5.)

- A **descriptive mark** immediately tells something about the product or service offered under a mark by describing some characteristic, quality, ingredient, function, feature, purpose, or use of the product or service. For example, in *In re Bed & Breakfast Registry*, 791 F.2d 157 (Fed. Cir. 1986), BED & BREAKFAST REGISTRY was held merely descriptive of lodging registration services, and in *Hunter Publishing Co. v. Caulfield Publishing Ltd.*, 1 U.S.P.Q.2d 1996 (T.T.A.B. 1986), SYSTEMS USER was held merely descriptive of a trade journal directed at users of data processing systems. Other marks that have been held descriptive include OATNUT for bread made with oats and nuts, LITTLE TAVERN for restaurant and bar services, QUIK-PRINT for speedy copying services, and COASTAL WINERY for wine made on the Pacific coast. It would be manifestly unfair to allow one owner to monopolize a descriptive term such as OATNUT for bread made with oats and nuts and thereby prevent competitors from using such needed and truthful terms. Because descriptive terms merely describe something about the goods or services, rather than identify the source of a product, they are not registrable with the USPTO until the consumer links the mark with a single source. That learned association is called **secondary meaning** or *acquired distinctiveness*. Descriptive marks cannot be registered until secondary meaning is shown. The USPTO assumes that secondary meaning has been acquired after five years of continuous and

exclusive use of a mark. Alternatively, secondary meaning can be shown by demonstrating a significant level of advertising, sales, and consumer survey evidence to prove that when consumers encounter a mark such as SYSTEMS USER, they immediately identify it with its offeror. Such evidence allows a trademark owner to establish secondary meaning without having to wait five years. Laudatory terms such as *best*, *extra*, and *super* are also considered merely descriptive and are not registrable without proof of secondary meaning.


- A **suggestive mark** suggests something about the goods or services offered under the mark but does not immediately describe them. A suggestive mark requires some imagination or thought to reach a conclusion about the goods or services offered under the mark. For example, ORANGE CRUSH® was held suggestive of an orange-flavored beverage, see *Orange Crush Co. v. California Crushed Fruit Co.*, 297 F. 892 (D.C. Cir. 1924), and GREYHOUND BUS® was held suggestive of transportation services. A suggestive mark is registrable without proof of secondary meaning or distinctiveness. Other examples of suggestive marks include COPPERTONE® for suntan lotion, IVORY® for soap, and PLAYBOY® for magazines.
- An **arbitrary mark** is a commonly known word that is applied to an unfamiliar product. Some of the best-known arbitrary marks are CAMEL® for cigarettes, BLUE DIAMOND® for nuts, and BLACKBERRY® for electronic handheld units. Although the terms are found in a dictionary, they have no relevance when applied to the goods in question and are thus arbitrary. Thus, APPLE® for computers is arbitrary, whereas APPLE for apples would be generic. Arbitrary marks are registrable without proof of secondary meaning.
- **Fanciful**, or *coined*, **marks** are those that are invented and have no dictionary meaning. Marks such as KODAK®, PEPSI®, ACURA®, HONDA®, HAAGEN-DAZS®, and XEROX® are examples

of fanciful or coined marks. Such marks are the strongest marks of all and are entitled to the greatest level of protection because it will be difficult for others to claim they innocently created a highly similar mark for similar goods or services.

You can readily see that companies creating marks face a commercial dilemma. The company likely wants the name to identify something about the product or service itself so that consumers encountering the new name or mark can determine what product or service is being offered. However, if the mark communicates directly about the product, it is merely descriptive and cannot be registered without proof of secondary meaning. If a coined mark, such as XEROX, is selected, it is a strong mark, yet it tells the consumer nothing about the product or service offered, and the company will need to expend substantial sums in advertising to teach consumers to link the mark with the goods.

TRADE NAMES AND
BUSINESS NAMES

A **trade name** or *commercial name* is one used to identify a business or company and its goodwill, while trademarks and service marks identify goods and services.

 A symbol or name used only as a business name cannot be registered as a trademark or service mark. If the business

name, however, also serves to identify and distinguish goods and services, it may be registrable under the Lanham Act. For example, when Hallmark places its business name on its letterhead and business cards, such use is as an unregistrable trade name or business name. When the HALLMARK (& CROWN)® mark appears on greeting cards, however, it is being used as a trademark and may be registered as such.

Some business owners falsely believe that when they incorporate in a state or file limited partnership or other organizational documents with a state agency, such filing serves to protect their names because the state agency will check to ensure that no similar name is already being used within the state. Thus, for example, if the secretary of state of California allows Diamond Engineers, Inc. to incorporate in California, the corporation may later have to cease using the name if it is found to infringe on a senior trademark. Merely allowing a company to incorporate under a name does not result in trademark rights. Approval by a state to use a name in connection with a business is merely that—the company is entitled to use the name in connection with the business itself within that state. Using the name on goods themselves or in connection with services, namely, as a trademark or service mark, is far different. Once the mark is so used in commerce, the company acquires trademark or service mark rights, which can be protected against junior users, whether those are junior trademarks or junior trade names. (See Exhibit 2–4.)

Type of Mark	Example	Registrability
Generic	PEANUTS (for peanuts)	Not registrable
Descriptive	BUG MIST (for insecticide)	Not registrable without proof of secondary meaning
Suggestive	SUGAR & SPICE (for cookies)	Registrable
Arbitrary	POPCORN (for clocks)	Registrable
Fanciful or coined	TRALEE (for cellular phones)	Registrable

EXHIBIT 2–4 Categories of Marks

PROTECTABLE MATTER

Introduction

The definition of a trademark or service mark is that it is a word, name, symbol, device, or any combination thereof used to identify products or services. Clearly, words such as IN-N-OUT BURGER® and designs or symbols such as Mercedes Benz's segmented circle or the Mr. Peanut design can function as trademarks. There are, however, a host of other items that can be protected as marks, generally because of the flexibility in the language of the Lanham Act allowing for registration of a "symbol" or "device." A symbol or device might include anything capable of conveying meaning to a person, such as sounds, smells, and shapes.

Slogans, Letters, and Numbers

A slogan can constitute a trademark if it is distinctive. Thus, the slogan HAVE IT YOUR WAY® is protectable. Alphanumeric symbols (letters and numbers) may be protectable as long as they are not merely descriptive. Thus, broadcast station call letters such as NBC® or CNN® are registrable. Similarly, numbers (either alone or with letters) can function as marks. For example, Ford Motor Company received a registration for F-550® for automobiles after explaining to the USPTO that the letter and numbers had no significance in the automobile industry. If the numbers or letters describe something about the product or service offered under the mark, however, the mark will not be registrable unless proof of secondary meaning is shown. Thus, the mark "VT220" for computer hardware peripherals was held merely descriptive and unregistrable because "VT" stood for "video terminal" and "220" was a mere model number. Similarly, an application for registration of "888 Patents" (a telephone number) was refused because it was merely descriptive of patent-related legal services. However, once such a telephone number achieves secondary meaning, it may be registered. Thus, the mark 1-800-CALL-ATT® has been registered.

Logos and Symbols

Some of the most famous trademarks in existence consist solely of logos or symbols. Thus, registrations exist for Nike's famous "swoosh" mark, McDonald's golden arches, and Ralph Lauren's figure of a polo player on a horse. Some symbols, however, such as a peace symbol or smiley face, do not serve a trademark function and would not be registrable. Similarly, as discussed later in this chapter, logos that are purely ornamental or are mere background material may not be protectable.

Names of Performing Artists

A mark that merely serves to identify an artist, entertainer, or group is not registrable. However, if the owner of the mark has controlled the quality of the goods or services, or the name of the artist or group has been used numerous times on different recordings or works (thereby representing an assurance of quality to the public), the name may be registered as a trademark. Thus, COLDPLAY® has been registered for musical sound recordings and JOHN MELLENCAMP® has been registered for entertainment services.

Domain Names

Domain names, for example, www.ibm.com, are registrable as trademarks or service marks only if they function as an identification of the source of goods and services. In many cases, applications for domain names are refused because the domain name merely describes the goods or services offered under the mark or merely serves as an address where the applicant can be located.

Thus, www.eilberg.com was refused registration because the mark merely indicated the location on the Internet where the applicant's website appeared and it did not separately identify the applicant's legal services.

Another complication with domain name registration is that the USPTO has held that businesses that create a website for the sole purpose of advertising their own products or services cannot register a domain name used to identify that activity. Thus, the law firm Holland & Knight has registered “www.hklaw.com” in connection with its online legal newsletters and *not* in connection with the offering of legal services. In many instances, the marks are found merely descriptive. Thus, LAW.COM (for providing information regarding legal services) is presently registered on the Supplemental rather than the Principal Register.

The USPTO itself has recognized that Internet domain names raise unique issues, and, thus, cases relating to registration of domain names continue to evolve. Generally, it will be rare that a domain name serves as a source identifier such that it can be registered as a trademark.

Foreign Terms

Foreign terms are registrable as long as they comply with the requirements of the Lanham Act. Foreign wording will be translated into English and then examined by the USPTO for descriptiveness. Thus, the word *vino* would not be allowed for wine inasmuch as its immediate translation is “wine,” the very product offered under the mark. Similarly, the word *optique*, a French word meaning “optic,” was refused registration for eyeglasses because it was merely descriptive. *In re Optica Int’l*, 196 U.S.P.Q. 775 (T.T.A.B. 1977).

Shapes and Containers

Shapes or configurations can function as trademarks if they are distinctive rather than functional. Thus, the famous Coca-Cola bottle shape is registered with the USPTO, and a competitor who adopts a confusingly similar shape container for its product will likely be enjoined from use. The curvy shape of the Coke bottle is not functional because it is not essential to the use or purpose of the product. If

the shape aided or promoted better functioning of the bottle, such as a more efficient lip or handle, it would not be registrable. Thus, a container configuration having the appearance of an ice cream cone was found registrable as a trademark for baby pants because the shape of the container did not promote better functioning of the product.

Trade Dress

The total image of a product, such as size, shape, color, texture, packaging, and graphics, may be protected through a trademark registration. This total image and overall appearance is called **trade dress**. In the famous case *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992), the U.S. Supreme Court protected the overall image or trade dress of a Mexican restaurant chain from infringement by a competitor who used similar colors, seating configurations, and décor. When an applicant applies to register a product’s design or product packaging as trade dress for goods or services, the USPTO must consider whether the trade dress is functional and distinctive. Only nonfunctional and distinctive trade dress can be protected. For example, R.J. Reynolds has registered the trade dress for cigarette packaging. In other cases, trade dress (such as product packaging) that is found to lack distinctiveness is registered on the Supplemental Register (until it acquires secondary meaning). Because trade dress is often protected through the law of unfair competition, it is discussed more fully in Chapter 23.

Color

Until relatively recently, a single color was not protectable as a trademark. This general rule was based on the color depletion theory: There are only a limited number of colors in the world; if businesses could appropriate a color and exclude others from using it, competition would be impaired. The present rule is that a trademark may consist of color as long as the color is not functional,

the color is shown to have acquired distinctiveness either through long use or a high level of consumer recognition, and there is no need for competitors to have the color available to them. Thus, Owens-Corning was allowed a registration to protect the pink color of its insulation. *In re Owens-Corning Fiberglas Corp.*, 774 F. 2d 1116 (Fed. Cir. 1985). Pink has no functional or utilitarian purpose when applied to the goods and does not deprive competitors from using other colors. Similarly, in 1995, Qualitex Company was allowed to protect its green-gold ironing board pads on the basis that there was no competitive need in the industry for the green-gold color, inasmuch as numerous other colors are equally usable for similar goods. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995). Similarly, the colors yellow and green used by John Deere & Co. on its machines were held registrable because the colors had become distinctive of John Deere's machines and equipment. However, the color pink for surgical wound dressings was held not registrable because the color of the goods closely resembled Caucasian human skin and was thus functional. Likewise, the makers of the pink PEPTO-BISMOL® stomach medicine were unable to protect its pink color. The court noted that the color pink was functional when used in connection with the medicine because the pink color had a pleasing appearance to one with an upset stomach. *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 271 F. 2d 569 (2d Cir. 1959). One of the newer color registrations is for the color yellow, registered to the Lance Armstrong Foundation, Inc. for wristbands to be used in connection with charitable fundraising. The applicant claimed (and the USPTO acknowledged) that the mark had become distinctive due to its extensive renown. In sum, protecting color is still a complex and evolving legal field.

Fragrances, Sounds, and Moving Images

A fragrance can function as a trademark if it has acquired distinctiveness and is not functional.

For example, in *In re Clarke*, 17 U.S.P.Q.2d 1238 (T.T.A.B. 1990), a floral fragrance was allowed as a trademark for sewing thread and embroidery yarn and was not functional when used in connection with those goods. A fragrance used in connection with products known for such features, such as perfumes or air fresheners, however, would likely be held functional and not registrable. Similarly, sounds can function as trademarks. The famous three-note chime used by NBC was the first registered sound trademark. The roar of the MGM lion, the quack of the AFLAC duck, and Woody Woodpecker's distinctive laugh are also registered. Finally, moving images may be registered. For example, Columbia Pictures has registered the moving images of the light rays surrounding its "lady Columbia" image that appears at the beginning of its movies (U.S. Reg. No. 1,975,999).

Designs and Ornamentation

A design can function as a trademark as long as it is distinctive rather than merely functional or ornamental. Some designs are protected on their own, such as Nike's famous "swoosh" design, the alligator that appears on shirts, and Betty Crocker's spoon. If pictorial matter is merely descriptive, however, it cannot achieve registration without secondary meaning. Thus, for example, a picture or design of a wedge of cheese on a package of cheese would be descriptive unless it is so stylized that it is distinctive. Moreover, if the design is merely background material and does not create a separate commercial impression, or if it consists solely of some simple geometric shape, such as an oval or square, it cannot be protected without proof of secondary meaning. For example, the USPTO refused registration of two parallel colored bands placed at the top of socks as pure ornamentation. Merely decorative subject matter and pure ornamentation cannot be registered

because they do not identify and distinguish goods or services and thus cannot function as trademarks.

Serialized Literary and Movie Titles

The title of a single creative work, such as a book or movie title, is generally not protectable. The title

of a serialized work, such as REAL HOUSEWIVES® or NEWSWEEK®, however, can be protected as a trademark or service mark.

(See Exhibit 2-5 for further examples of protectable matter.)

Protectable Matter	Example
Words	REAL TIME (for wearing apparel)
Letters	WROC (for radio broadcasting services)
Numbers	1054 (for cleaning products)
Foreign terms	CHAT ROUGE (for wine)
Shapes	Distinctive shape for coffee filters (as long as not functional)
Trade dress	Overall commercial impression of packaging, label, text, and graphics (for a can of chili)
Color	Blue (for container for wine, so long as not functional)
Fragrance	Floral fragrance for bookmarks
Design	CHECKERBOARD DESIGN (for food products)
Literary title	IN STYLE (for serialized magazine)

EXHIBIT 2-5 Protectable Matter



MAINTAINING CONFIDENTIALITY

The launching of a new product or service is often a critical business decision for a client, and one whose inadvertent release would significantly harm the client's economic interests and future business plans. Thus, as clients consider, reject, and adopt marks, exercise care to ensure their materials and plans are kept in confidence.

- Keep files and drawings of proposed trademarks in secure locations.
- Be careful when communicating by e-mail, facsimile, or cell phone, to be sure that all communications are secure and confidential.
- Do not inadvertently share confidential client information with friends at social settings or in places where you may be overheard, such as at restaurants or in elevators.

EXCLUSIONS FROM TRADEMARK PROTECTION

Not every word, design, or slogan can function as a trademark. It has already been noted that generic matter cannot be registered and that merely descriptive marks cannot be registered unless secondary meaning is shown. There are several additional bars to registration found in the Lanham Act (15 U.S.C. § 1052).

Disparaging or Falsely Suggestive Marks

The Lanham Act (15 U.S.C. § 1052(a)) forbids registration of a mark that disparages, brings into contempt or disrepute, or falsely suggests an association with persons, institutions, beliefs, or national symbols. Thus, WESTPOINT for guns was held to falsely suggest a connection with the U.S. Military Academy and was refused registration. *In re Cotter & Co.*, 228 U.S.P.Q. 202 (T.T.A.B. 1985). Similarly, a registration for BAMA for shoes and stockings was canceled because the Trademark Trial and Appeal Board (TTAB) found that BAMA pointed uniquely to the University of Alabama and thus falsely suggested a connection with the university.

In 1992, seven Native Americans petitioned the TTAB to cancel six trademark registrations owned by the NFL football team the Washington Redskins, including the mark REDSKINS, on the basis the marks disparaged Native Americans. The TTAB cancelled the registrations, but after numerous proceedings stretching over 17 years, the matter was finally settled in 2009 when the U.S. Supreme Court declined to consider a lower court ruling that the Native Americans had waited too long to initiate their case (approximately 25 years after the first registration was granted). *See Harjo v. Pro Football Inc.*, 565 F.3d 880 (D.C. Cir.), *cert. denied*, 130 S. Ct. 631 (2009). Thus, there is no definitive court ruling on the question of whether the REDSKINS mark is disparaging (the case

having been disposed of on the grounds that the group waited too long to bring its claim). In 2006, a new petition to cancel the REDSKINS marks was filed with the TTAB by a group of younger Native Americans; as of the writing of this text, that proceeding is pending.

Insignia

Flags, coats of arms, and other insignia of the United States or any state or any foreign nation cannot be registered.

Immoral or Scandalous Matter

Immoral or scandalous matter cannot be registered. For example, a graphic depiction of a dog defecating that was used on clothing was refused registration as scandalous. The mark was also found to disparage Greyhound Corporation because the dog was reminiscent of the Greyhound dog used by the company in connection with its transportation services. *Greyhound Corp. v. Both Worlds, Inc.*, 6 U.S.P.Q.2d 1635 (T.T.A.B. 1988). Similarly, in 2005, the TTAB upheld a refusal to register the mark WIFE BEATER for t-shirts on the basis that it was disparaging.

Names and Portraits of Living Persons

A mark comprising a name, portrait, or signature of a particular living person cannot be used without his or her written consent, and a name, signature, or portrait of a deceased U.S. president cannot be used without his widow's written consent. Thus, the registration certificate for JIMMY BUFFET'S for radio programming services notes that his consent is of record.

Deceptive Matter

Marks comprising deceptive matter cannot be registered. Thus, SILKEASE was held deceptive when applied to clothing not made of silk in *In re Shapely, Inc.*, 231 U.S.P.Q. 72 (T.T.A.B. 1986), and CEDAR RIDGE

DELL® was held deceptive for hard-board siding not made of cedar. *Evans Prods. Co. v. Boise Cascade Corp.*, 218 U.S.P.Q. 160 (T.T.A.B. 1983). In most cases, marks are found to be deceptive because they falsely describe the material or content of a product or are geographically deceptively misdescriptive. Thus, SHEFFIELD used on cutlery not made in Sheffield, England, was held deceptive because of the renowned status of Sheffield for cutlery products.

Mere Surnames

A mark that is primarily merely a surname cannot be registered without proof of secondary meaning. Thus, names such as “Smith” or “Higgins” cannot be registered, while names such as “King” or “Bird” would be registrable inasmuch as they have a significance or meaning other than as surnames. A review of USPTO records discloses that McDonald’s Corporation’s numerous registrations for its MCDONALD’S® marks routinely claim that the mark has acquired distinctiveness through its continuous and exclusive use. The USPTO will examine telephone books and electronic databases to determine if a mark is primarily merely a surname. If the surname is combined with additional matter, such as other words or a design, it may be registrable. Thus, HUTCHINSON TECHNOLOGY® was registrable for computer components. *In re Hutchinson Tech., Inc.*, 852 F.2d 552 (Fed. Cir. 1988).

Geographical Terms

Marks that include geographic terms, such as references to countries, states, towns, streets, and rivers, present special problems. There are three grounds upon which marks that include geographical terms might be refused by the USPTO:

- They are geographically descriptive;
- They are geographically deceptively misdescriptive; or

- They include a geographical indication used with wines and spirits to identify a place other than the origin of the goods.

When a geographic term is used to describe the place goods or services come from, it is considered descriptive and unregistrable if purchasers would think that the goods or services originate in the geographic place identified in the mark. Such terms merely tell the geographic origin of products or services rather than serving as designations of source. Thus, THE NASHVILLE NETWORK was held primarily geographically descriptive of various entertainment services where the applicant was located in Nashville and many of the programs it distributed were produced in Nashville. *In re Opryland USA, Inc.*, 1 U.S.P.Q.2d 1409 (T.T.A.B. 1986). Similarly, CALIFORNIA PIZZA KITCHEN was primarily geographically descriptive because the restaurant services were rendered in California and elsewhere. *In re California Pizza Kitchen*, 10 U.S.P.Q. 1704 (T.T.A.B. 1998). Such marks cannot be registered without proof of secondary meaning.

As a result of NAFTA, the Lanham Act now prohibits registration of a geographically deceptively misdescriptive mark even if the mark has secondary meaning. To support a refusal to register a mark on the basis that it is geographically deceptively misdescriptive, the USPTO must show that the primary significance of the mark is a generally known geographic location, the goods or services do not originate in the place identified in the mark, and purchasers would be likely to believe that the goods or services originate in the geographic place identified in the mark (and such misrepresentation is a material factor in the consumer’s decision to buy the goods or services). Thus, PERRY NEW YORK for clothing not originating in New York was not registrable because consumers, upon encountering the mark, would be deceived into reacting

favorably to it due to the renown of New York in the clothing and fashion industry. Similarly, OLD HAVANA for rum was held geographically deceptively misdescriptive for rum not originating in Havana because Havana is known and valued for its rum products.

Additionally, under TRIPS, and effective January 1, 1996, the Lanham Act absolutely bars registration of any geographic mark for wines and spirits not originating from the place identified in the mark. Thus, the word “Sonoma” can only be used in connection with goods from the Sonoma region of California.

As noted earlier, a geographic name that otherwise would be considered primarily geographically descriptive and therefore unregistrable (for example, IDAHO POTATOES GROWN IN IDAHO®) can be registered as a certification mark.

Additionally, a mark that includes a geographic term used in an arbitrary way will be registrable. Thus, ALASKA for bananas is treated as an arbitrary mark because it is unlikely that consumers would believe that the mark identifies the place from which the goods originate. Similarly, use of DUTCHBOY® for paint was held acceptable because of its arbitrariness; there is no known connection between paint and Holland. *National Lead Co. v. Wolfe*, 223 F.2d 195 (9th Cir. 1955). Finally, some geographic terms have become generic and can never be registered, for example, *French fries*, *Swiss cheese*, and *Bermuda shorts*.

Descriptive and Confusingly Similar Marks

Marks that are merely descriptive (such as CHEESE BITS for cheese-flavored snacks) or marks that are confusingly similar to those used by a senior user are not registrable. Refusals by the USPTO to register descriptive or confusingly similar marks are quite common and will be discussed in detail in Chapter 4.

Functional Devices

A mark or device or trade dress that is as a whole functional cannot be registered as a trademark because it would deprive others of the right to share a needed device. Thus, trademark protection might be refused for the shape of a matchbook cover when the shape functions to make the product useful. Because competitors would need to use the same shape of cover for their products to be effective, one party cannot exclusively appropriate it in perpetuity. The functionality doctrine ensures that protection for utilitarian product features be sought through patent registration, which is of limited duration. A determination by the USPTO that a proposed mark is functional is an absolute bar to registration, regardless of how distinctive a mark might be.

In one novel case, in 2006 the TTAB upheld a refusal to register a mark consisting of the flavor orange (to be used with antidepressant pills) on the dual bases that the mark was functional (because the pleasant taste performed a utilitarian function in increasing patient compliance) and that consumers would not view a flavor as a trademark but rather as an inherent feature of the product itself. *In re N.V. Organon*, 79 U.S.P.Q.2d 1639 (T.T.A.B. 2006).

Statutorily Protected Marks

Finally, certain marks are protected by federal statute from use or confusingly similar use by another. These marks



include marks such as “Smokey Bear,” marks used by various veterans’ organizations, the Red Cross logo, and the Olympic rings and associated wording. There are about 70 of these special statutes.

(See Exhibit 2–6 for a table of matter that is excluded from trademark protection.)

Nonprotectable Matter	Basis for USPTO Refusal
SQUAW (for sale of sporting goods)	Mark would disparage or bring a person or institution into contempt or disrepute
Flag of Italy (for pasta)	Insignia of a foreign nation
Graphic pictures of nude figures (for wearing apparel)	Immoral or scandalous matter
Photograph of Brad Pitt (for salad dressing) (unconsented)	Unconsented use of living person's portrait
PETERSON (for hiking boots)	Primarily merely a surname
LEATHERETTE (for gloves made of vinyl)	Deceptive
PARISIAN EROS (for perfume not from Paris)	Geographically deceptively misdescriptive
BREADSPREAD (for margarine) (without proof of secondary meaning)	Merely descriptive
NIKEE (for athletic gear)	Confusingly similar to a registered mark
SPIROS' OLYMPIC RESTAURANT (& DESIGN OF FIVE RINGS)	Statutorily protected matter
Shape of piano (needed for acoustical reasons)	Functional

EXHIBIT 2-6 Matter Excluded from Protection

U.S. PATENT AND TRADEMARK OFFICE

The government agency responsible for reviewing trademark applications and issuing registrations is the U.S. Patent and Trademark Office (USPTO). The official address varies depending on the particular issue involved. The USPTO is physically located in several buildings at 600 Dulany Street, Alexandria, Virginia 22314. The USPTO maintains an excellent website at <http://www.uspto.gov>, offering general information, instructional videos and tutorials, updates on new issues, forms for downloading, a database of more than four million registered, pending,

and dead trademarks, statistics, lists of USPTO fees, and a wide variety of other valuable information. (See Exhibit 2-7 for a list of frequently called USPTO telephone numbers.)

The trademark section of the USPTO is divided into a variety of different departments, such as one handling assignments, one dealing with postregistration matters, and one dealing with intent-to-use applications. Due to the spread of computer and communications technology throughout the world, the USPTO has a busy workload. New trademark applications increased by 7 percent in 2011 over 2010, with the USPTO receiving 301,826 applications in 2011.

Assignments	(571) 272-3350
General Assistance	(800) 786-9199
Intent-to-Use Unit	(571) 272-9550
Madrid Processing Unit	(571) 272-8910
Deputy Commissioner for Examination Policy	(571) 272-9100
Deputy Commissioner for Trademark Operations	(571) 272-8900
Petitions Office	(571) 272-8950
Postregistration	(571) 272-9500
Pre-Examination	(571) 272-9401
Trademarks Assistance Center	(571) 272-9250; or (800) 786-9199
Trademark Status (for pending applications and registrations)	(571) 272-5400
Trademark Trial and Appeal Board	(571) 272-8500

EXHIBIT 2-7 Helpful USPTO Telephone Numbers

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- The oldest U.S. trademark registration still in existence is SAMSON® (with a design of a man and a lion) registered in 1884 for use on cords, line, and rope.
- The first registration of a shape and design of a container was in 1958 for Haig & Haig's pinched-in Scotch whiskey bottle.
- Some of the famous sound marks registered include Tarzan's yell, the "Ho, Ho, Ho" of the Jolly Green Giant, the Yahoo! Yodel, and Homer Simpson's "D'oh" (U.S. Reg. No. 3,411,881).
- The USPTO reports that nearly one million registered trademarks are in use today.

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CHAPTER SUMMARY

Trademarks play a valuable role in our economy. They serve to distinguish one merchant's goods or services from those of another and provide assurances of quality and consistency to consumers. There are four different types of marks: trademarks (used for goods); service marks (used for services); certification marks (used to certify a quality of a good or service); and collective marks (used to show membership in an association). Rights to marks are acquired through use. There is no need to file an application for federal registration of a mark with the USPTO to acquire or maintain rights to a mark, although registration does offer significant advantages to a trademark owner.

Not all words, letters, and symbols are protectable. Generic words cannot be trademarked and descriptive marks can be trademarked only upon proof of secondary meaning. Suggestive, arbitrary, and coined marks are all registrable without proof of secondary meaning. Certain types of marks are excluded from federal protection, such as scandalous marks, deceptive marks, and geographically deceptively misdescriptive marks.

CASE ILLUSTRATION

REFUSAL TO REGISTER DISPARAGING MARK

Case: *In re Lebanese Arak Corp.*, 94 U.S.P.Q.2d 1215 (T.T.A.B. 2010)

Facts: The examining attorney at the USPTO refused to register the mark KHORAN for wines on the basis that the mark was disparaging.

Holding: The TTAB affirmed the refusal to register. The word “Khoran” is the phonetic equivalent of “Koran,” which is the sacred text of Islam. The Koran forbids consumption of alcoholic beverages, including wine. The use of the name of a sacred text for a substance prohibited by that religion would be disparaging to followers of Islam and their beliefs.

CASE STUDY AND ACTIVITIES

Case Study: Holiday is considering offering several new products and services (some of which will be sold in its gift shop) and would like to seek trademark protection for the marks under which the goods and services will be offered. Some of the proposed marks include the following:

- The slogan “Johnny Depp’s Best Holiday” to be used in commercials for cruises;
- The color white for its cruise ships;
- Small dessert plates to be sold in the ship gift shop, each of which will display a national flag from countries represented by Holiday’s shipboard workers;
- “Texas Salsa” for salsa made and bottled in Florida; and
- The mark “Holiday Happiness” for one of its onboard shows.

Activities: Identify the type of mark each product or service represents (e.g., trademark, sound mark, color mark) and then indicate any possible objections the USPTO might have to each mark, if any.

ROLE OF PARALEGAL

The role of IP paralegals prior to searching and application for registration is generally limited to research, particularly research regarding whether the mark satisfies the requirements of the Lanham Act for registrability. Each element of the mark should be examined to determine whether it is descriptive, disparaging, comprises merely a surname, includes a living person’s name without written consent, and so forth. Design elements of marks should also be considered to ensure the design feature is a separate and distinct portion of the mark, rather than mere background. Additionally, some preliminary discussions should take place with

the mark's owner to determine whether federal registration is permissible or whether the owner will be limited to state trademark registration because the mark is not (and will not be) used in interstate commerce.

INTERNET RESOURCES

Federal statutes governing trademarks (15 U.S.C. § 1051 <i>et seq.</i>)	http://www.gpo.gov/fdsys http://www.law.cornell.edu http://www.plol.org
USPTO trademark information:	http://www.uspto.gov (general information, trademark searching, and access to <i>Trademark Manual of Examining Procedure</i> for excellent information on types of marks and what may be protected)
General information on trademark topics:	http://www.ggmark.com http://www.megalaw.com

DISCUSSION QUESTIONS

- Classify the following marks as trademarks, service marks, collective marks, or certification marks:
 - K (to certify foods are prepared in compliance with kosher dietary standards)
 - SPIKE TV (for television programming)
 - DROID (for wireless communications services)
 - SWATCH (for watches)
 - AMERICAN ACADEMY OF COSMETIC SURGERY (to indicate membership in a network of cosmetic surgeons)
 - OREO (for biscuits and cookies)
- Could a company trademark the color orange for a line of clothing for hunters?
- Each year ABC Co. sells beads for Mardi Gras under the mark FAT TUESDAY DECO. Is the mark “in use” so as to support a trademark application although the goods offered under the mark are only sold a few days each year?
- Could the shape of a metal ring that fits around the edge of a candle to promote more even burning be trademarked?
- Discuss whether a person could likely obtain a trademark registration for the following marks for the goods or services indicated, and discuss the objections, if any, that the USPTO might raise to registration of the mark.

Mark

POLAR BEAR

PETERSON

HUNT

CANDY CANE

CANDY CANE

BEST SUSHI BAR

Goods or Services

Toys

Soccer equipment

Baseball equipment

Candy canes

Children's clothing

Restaurant services

OLYMPIC GYM	Fitness and gym services
THERAPIE	Lipstick
LECHE	Milk
RINNARTE	Yogurt
FLAG OF COLUMBIA	Coffee
U.S. MORTGAGE LENDERS	Finance services
SILICON VALLEY COMPUTERS	Computers from Silicon Valley
SILICON VALLEY COMPUTERS	Computers from Ohio
SERENA WILLIAMS'S GEAR	Tennis clothing

USING INTERNET RESOURCES

1. Access the USPTO website and select “Search Marks” under the “Trademarks” section. Use the “Basic Word Mark Search (New User).”
 - a. Check Reg. No. 0571798. What is the mark? What type of mark is this? For what goods or services is the mark registered? What “Other Data” is given for this mark?
 - b. Check Reg. No. 2607415. What is the mark? What type of mark is this? For what goods or services is the mark registered? What information is given under “Description of Mark”?
 - c. Check Reg. No. 2691371. What is the mark? What “Other Data” is given for this mark?
 - d. Check Reg. No. 2901090. Who is the registrant? Briefly, describe the mark.
 - e. Check Reg. No. 3695038. What is the mark? When was the mark registered? What “Other Data” is given for this mark?
2. Access the USPTO website and select “Trademark Basics” and then select “Trademark Manual of Examining Procedure.” Use the alphabetical index to locate answers to the following questions.
 - a. Review the section relating to double surnames. Would a mark such as KINGMAN-PRESSLEY be acceptable or is it primarily merely a surname?
 - b. Review the sections relating to flags as trademarks. May a mark consisting of a stylized design or incomplete flag be registrable?
 - c. Review the section relating to characteristics of certification marks. May a certification mark consist solely of a design without any wording?
3. Use an online database for federal statutes (see “Internet Resources” in this chapter). What federal statute relates to use of the five interlocking Olympic rings?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.

CHAPTER 3

Trademark Selection and Searching



CHAPTER OVERVIEW

As discussed in Chapter 2, not every word, slogan, or design can be protected as a trademark or service mark. Therefore, great care must be given to selecting a mark to identify one's goods or services. Once a mark is selected, a trademark availability search should be conducted to determine if the mark is available for registration. Searches are conducted of the USPTO records, state trademark records, business directories, journals, telephone books, domain names, and Internet uses to determine whether a proposed mark may conflict with a mark already in use. Although no search can guarantee that a mark will be accepted by the USPTO for registration, a search allows a trademark owner to anticipate problems that may arise in the registration process, provides a snapshot of other marks in the marketplace, and may help avoid liability for infringement.

SELECTING AND EVALUATING A MARK

Selecting a Mark

Selection of a mark occurs in a variety of ways. Some companies hold contests and encourage employees to create a mark for a new product line or service. Other companies engage sophisticated research and branding firms that will conduct surveys and create a mark and a logo or design for the company. There are name creation software programs that help individuals and companies create marks. Once the mark is selected, it should be screened and evaluated for use and registrability. Failure to exercise this due diligence might result in the expenditure of time and money in advertising, using, and applying for a mark that is rejected for registration by the USPTO or, in the worst-case scenario, might subject the owner to damages for trademark infringement and unfair competition.

Reviewing a Proposed Mark

Once a mark is selected, it should be carefully scrutinized to ensure that it will not be excluded from protection under the Lanham Act. Considerations include whether the mark contains scandalous material, whether consent from a living person will be required, whether the mark is generic, whether it is statutorily protected, and whether the mark is descriptive of some feature of the goods and services offered under the mark. If the mark includes foreign terms, these should be translated to ensure they are not scandalous, deceptive, or merely descriptive. Many law firms specializing in trademark work use a questionnaire form or data sheet to gather basic information from clients about their marks and to aid in determining registrability (see Exhibit 3–1 for an example).



THE TRADEMARK SEARCH

Once a proposed mark has been selected, a trademark search should be conducted to ensure that the proposed mark is not confusingly similar to a mark that is the subject of a registration or pending application at the USPTO or that is in use on a common law basis.

In addition to disclosing potential conflicting marks, a search will provide some indication of the relative weakness or strength of the mark. If there are numerous marks including words similar to the proposed mark for the same or related goods, the field is said to be “crowded,” and the mark, while it may achieve registration, may be weak and entitled to a narrower scope of protection than a strong, unique, and distinctive mark. For example, a review of the USPTO database shows the following registrations issued to different owners:

PARAMOUNT®	(for medical instruments)
PARAMOUNT®	(for paper napkins)
PARAMOUNT®	(for bowling balls)
PARAMOUNT®	(for chocolate fountains)
PARAMOUNT®	(for entertainment motion picture services)

These numerous registrations for PARAMOUNT® show that the mark is weak, and an application to register PARAMOUNT for some distinguishable goods (e.g., cigarettes) would likely be allowed. The owner of PARAMOUNT (for cigarettes) would be able to stop later users from using PARAMOUNT for cigarettes and related products, but would have to share the field with the existing PARAMOUNT registrations and later PARAMOUNT marks used for nonsimilar goods.

A review of other marks also enables the IP team to anticipate some of the problems that may arise during the registration process and possible objections the USPTO may have to the application.

Please provide the following information to enable us to prepare and file an application for registration of your mark with the United States Patent and Trademark Office (USPTO).

1. Describe the mark.
 - a. Words: _____
 - b. Logo/Design: _____ [describe and attach sample logo]
 - c. Are the words “stylized” (for example, should they be displayed in any particular manner, script, or typeface or is standard printing acceptable)? _____
 - d. Should mark be displayed in any particular color? ____Yes ____No
 - e. If mark includes foreign words, geographic terms, or abbreviations, give explanation.

2. Describe the Applicant.
 - a. Full name: _____
 - b. Full address: _____
 - c. Type of legal entity (corporation, partnership, etc.) _____
 - d. Organized under the laws of the state of _____
 - e. Name of authorized person who will sign the application and other documents and his/her title: _____
3. Describe with particularity all of the goods and/or services that are or will be offered under the mark or for which protection is being sought. _____
4. Consult your records and state, with respect to use of the mark by you (or any predecessor) on or in connection with any of the above-described goods or services:
 - a. Has the mark been used in intrastate sales or advertising? If so, give date of first use anywhere.

 - b. Has the mark been used in interstate commerce within the United States? For example, has there been a transaction with an out-of-state customer or has media advertising the goods or services offered under the mark been conducted across state lines? If so, give the date the mark was first used in interstate commerce in the United States (or in foreign commerce between a foreign country and the United States). Note that use of the mark in advertising preparatory to opening a business is not sufficient. _____
 - c. Is there a bona fide intent to use the mark in the United States if it has not yet been used in the United States? _____
5. Provide information as to how the mark is actually used (if it is in use).
 - a. Newspaper or other media advertising: ____Yes ____No
 - b. Signs or store displays: ____Yes ____No
 - c. Direct mail, such as brochures: ____Yes ____No
 - d. Labels, tags, packaging: ____Yes ____No
 - e. Other (describe): _____
6. If the mark is in use, please provide at least three original specimens showing the mark as it is actually used in connection with the sale or advertising of the goods or services. If the mark is used in connection with goods, labels, tags, boxes, or other packaging are acceptable as long as they show the mark. If the mark is used in connection with services, brochures and other advertising materials are likely acceptable as long as they show the mark. If the specimens are bulky, you may provide photographs of the specimens as long as the mark is clear and legible in the photos.

EXHIBIT 3-1 Trademark Data Sheet (U.S. Applicant)

Reasons and Duty to Search

A party who adopts a mark and begins using it without previously searching its availability runs the risk that a senior user will allege infringement. If the later user has begun using the infringing mark, it may need to stop using the mark and any of its marketing materials and brochures that display the offending mark. Such an error is costly and time-consuming because the party will then need to adopt another mark and begin the process of establishing consumer recognition all over again. Thus, it makes economic sense to conduct a search before using a mark.

There is, however, another reason to conduct a trademark search prior to use or application of a trademark, namely to avoid litigation alleging trademark infringement. Liability for trademark infringement rests on a finding that two marks are likely to be confused. One factor courts consider in determining whether two marks are likely to be confused is the intent and good faith use by the second user. Recent cases have begun examining whether failure to conduct a proper search is evidence of bad faith. Although a number of courts have criticized parties for failure to conduct a trademark search before using and applying for a mark, calling such conduct “carelessness,” *SecuraComm Consulting, Inc. v. SecuraCom Inc.*, 166 F.3d 182, 188–89 (3d Cir. 1999), or stating that a search is a “very obvious and simple precaution,” *First Jewellery Co. of Canada, Inc. v. Internet Shopping Network LLC*, 53 U.S.P.Q.2d 1838 (S.D.N.Y. 2000), or holding that the failure to conduct a search is “carelessness at most,” *see, e.g., George Co. v. Imagination Entm’t Ltd.*, 575 F.3d 383, 398 (4th Cir. 2009), most courts have concluded that failure to perform a search, standing alone, does not prove bad faith or willful infringement, *Savin Corp. v. Savin Group*, 391 F.3d 439, 460 (2d Cir. 2004). Nevertheless, when a large company failed to conduct a trademark search until just days before the airing of a commercial when it knew of a prior use

by another major marketer, the court noted the defendant was a highly sophisticated national marketer with access to every imaginable resource to avoid the slightest possibility of confusion and that failure to conduct a search was “inexcusable” and showed a “complete indifference” to the plaintiff’s federal trademark rights and was a factor favoring relief to the plaintiff. *Sands, Taylor & Wood v. Quaker Oats Co.*, 18 U.S.P.Q.2d 1457 (N.D. Ill. 1990), *aff’d in part and rev’d in part*, 978 F.2d 947 (7th Cir. 1992). Finally, in *Frehling Enterprises, Inc. v. International Select Group, Inc.*, 192 F.3d 1330, 1340 (11th Cir. 1999), an infringement case, the court agreed that a failure to conduct a trademark search before attempting to register a trademark was “intentional blindness” and was evidence of improper intent. Thus, although there is no legal duty to perform a trademark search before using or applying for a mark, failure to do so (along with other behavior) may well be a factor suggesting improper intent. Moreover, with the numerous free sources available for those conducting trademark searches, a failure to conduct a basic search would seem careless, at best.

Because liability for trademark infringement rests on a finding that two marks are likely to be confused, a client may be able to avoid liability by showing it acted in good faith by conducting a thorough trademark search prior to using a mark. In sum, a comprehensive trademark search can save time and money, avoid litigation, ensure a mark is available, and assist in developing a strategy to avoid possible USPTO objections.

Scope of Search

There are a variety of sources that can be reviewed to locate potentially conflicting marks. Because there are literally millions of marks registered or applied for at the USPTO, and thousands of journals, trade magazines, directories, telephone books, Internet sources, state records, and state trademark

registrations that might contain other marks or business names, a computer-assisted or online search is the most effective method of searching. Moreover, an online search can be constructed to search only for similar marks used in connection with similar goods and services. Thus, if the client in our case study wishes to use HOLIDAY MAGIC for cruise ship entertainment services, there is little to be gained from looking for similar marks used in connection with candy inasmuch as consumers would not likely be confused by the coexistence of two similar marks for such dissimilar goods.

Both LEXIS® and WESTLAW®, the computer-assisted legal research systems, offer access to vast databases that may point out conflicts. One of the best-known databases is TRADEMARKSCAN®, available through WESTLAW. TRADEMARKSCAN (federal) contains information on active registered trademarks and service marks as well as applications filed at the USPTO, while TRADEMARKSCAN (state) provides similar information on marks registered with the secretaries of state of all 50 states. Other online databases include journals, magazines, and periodicals. Most of the databases are also offered on CD-ROM, allowing IP practitioners to purchase discs and conduct their own searches. The discs are then periodically replaced and updated. The more common approach, however, is to conduct trademark searches using online databases.

Conducting the Trademark Search: A Two-Step Process

In nearly all instances, trademark searching is a two-step process. First, a preliminary search is conducted of the records of the USPTO (and possibly some of the other databases identified in the following section) to make a quick determination as to whether the mark may be available or whether there is a direct conflict that would preclude use of the mark. The preliminary search is often called a **knockout**

search because its primary purpose is to eliminate identical or nearly identical marks. If the knockout search discloses a “direct hit” (meaning an identical or nearly identical current mark for similar goods or services), there is no need to conduct a further search. The client would then consider a new mark, which itself would then be searched. If the results of the preliminary or knockout search indicate a mark may be available, a comprehensive search of other sources (including state trademark records, telephone directories, Internet records, and trade journals) is then conducted.

Step One: The Preliminary Search

There are a variety of sources that can be used to conduct an initial trademark search, including online databases, CD-ROMs, the Patent and Trademark Depository Libraries, and the USPTO website search services. Following are some resources commonly used for conducting a preliminary search (in addition to using the USPTO trademark search databases and an Internet search engine, such as Google).

Electronic Databases and CD-ROMs

- TRADEMARKSCAN online databases are owned by Thomson CompuMark (part of Thomson Reuters), a renowned trademark search firm (discussed later), which provides information on all active registered trademarks and service marks and applications for registration filed at the USPTO. The TRADEMARKSCAN databases are primarily used as a quick screening tool to determine the availability of a new mark.
- DIALOG® is a database offered by ProQuest. Its database includes trademarks from the United States plus numerous foreign countries as well as patent and copyright information. DIALOG offers free online training and practice (its

ONTAP® service) and free practice searching at the following website: <http://support.dialog.com/ontap>.

- SAEGIS™ is a trademark database that is part of Serion, an entire suite of trademark services and tools provided by Thomson Reuters. Users log on to perform federal or online worldwide trademark searching as well as searching of domain name registries and websites to locate common law uses of proposed marks.
- LEXIS and WESTLAW, the computer-assisted research systems, offer access to vast trademark databases that may disclose potentially conflicting marks.

Many law firms subscribe to one or more of these services so they can perform an initial screening search in-house. Users then log on to gain access to the trademark databases and begin searching.

In conjunction with a preliminary or knockout search, most practitioners conduct a simple Internet search using a standard search engine. For example, entering the word mark HOLIDAY MAGIC into a search engine such as Google (<http://www.google.com>) may disclose some common law uses of the mark. Often paralegals conduct the knockout search and provide an initial review of the marks revealed. The results are communicated to the client along with recommendations for the next step to take. If a mark is intended to be used only for a short time, perhaps during a limited promotional campaign, a knockout search may be sufficient by itself.

Patent and Trademark Depository Libraries. For those located near Washington, DC, the USPTO maintains a Public Search Facility in Alexandria, Virginia, that allows online searching of pending, registered, and dead trademarks using the trademark examining attorney automated system called X-Search. A complete trademark collection since 1870 is available online and in bound paper

volumes or on microfilm. The Search Facility is open to the public every weekday. For information, call (571) 272-3275. Additionally, more than 80 libraries throughout the United States (mostly in major cities) are designated as **Patent and Trademark Depository Libraries**. These libraries receive a wealth of information from the USPTO, and trademark searching can be done at these libraries. See the USPTO website at <http://www.uspto.gov> for a list of the Patent and Trademark Depository Libraries.

USPTO Website. Perhaps the easiest and least expensive way to conduct a very preliminary search is to review the records of the USPTO (<http://www.uspto.gov>). The USPTO offers free public searching of its trademark database through its service called **Trademark Electronic Search System (TESS)**, which allows searching of more than four million pending, registered, abandoned, canceled, or expired trademark records. TESS offers four search strategies.

1. **New User Form Search (Basic).** This basic search strategy is useful for finding marks (both current or “alive” and “dead”) made up solely of words or by searching by a trademark owner’s name. Searching may also be done by trademark serial or registration number. Simply type in the name of the mark in which you are interested (e.g., HOLIDAY MAGIC), and you can then review records containing those terms. Thus, results would include both HOLIDAY MAGIC and CREATE HOLIDAY MAGIC. A search for HOLIDAY alone would disclose more than 2,000 entries that include the term “holiday.”
2. **Structured Form Search (Boolean).** The Structured Form search allows a searcher to narrow the search by locating marks relating to certain goods and services (e.g., HOLIDAY MAGIC used for cruise ship entertainment services) or to locate all marks owned by a certain party,

assignments or renewals of marks, or marks applied for by a certain attorney. The use of Boolean connectors also helps to narrow results. Thus, a search for “HOLIDAY and MAGIC” would retrieve documents with both those terms. Moreover, one may search by **pseudo mark** for some marks. Thus, for example, a search for “4U” will display marks including the term “for you” if the pseudo mark field is selected.

3. **Free Form Search (Advanced Search).** The Free Form search strategy is for more complicated searches and is generally most successful when Boolean connectors are used.
4. **Browse Dictionary (View Indexes).** The Browse Dictionary strategy allows one to review about 10 items in the USPTO’s database around the search term. Thus, a search for NIKE® would disclose NICKO and NIKEA.

The USPTO database does not easily allow phonetic searching. Thus, a search for BEAR would not disclose any marks with the term *Bare*. Additionally, searching for designs is fairly complex. However, the site offers help and numerous strategies and tips for searching, including a design search code manual, so you can search for similar designs, such as all designs including stars, lions, or sporting articles.

Once a mark is displayed on your computer screen, you will be given four separate options to obtain additional information.

- **TARR Status:** The Trademark Applications and Registrations Retrieval (TARR) system provides information about an application or registration, including a list of various actions taken by the USPTO and information on the mark’s current status, such as whether it has expired because it was not renewed.
- **Assignment Status:** If the mark has been assigned, you will be given the names of the assignor and assignee and the date the assignment was recorded with the USPTO.

- **Trademark Document Retrieval (TDR):** TDR allows views of actual images of documents in the USPTO’s files (including Madrid Protocol filings), such as drawings of marks, images of specimens of marks, USPTO objections to registrations and applicants’ responses thereto, notices of publication, and certificates of registration. This “electronic file wrapper” provides invaluable information. TDR is not yet available for all older records. You may access TDR after conducting a search, or you may access it independently if you have a serial or registration number.
- **TTAB Status:** If the mark is involved in proceedings at the Trademark Trial and Appeal Board (TTAB), you will be linked to documents pertaining to these proceedings.

If you already know a trademark application serial number or registration number, once you access the USPTO website for Trademark Basics, select “Check Status.” Enter the pertinent number in the search box, and you will be linked to the TARR database and information.

The USPTO site itself acknowledges its limitations and counsels users as follows: “After searching the USPTO database, even if *you* think the results are ‘O.K.,’ do **not** assume that your mark can be registered at the USPTO. After you file an application, the USPTO must do its own search and other review, and might refuse to register your mark.” Nevertheless, despite their limitations, the USPTO search systems TESS and TARR are excellent sources for obtaining initial information, and with practice, one can become fairly proficient in conducting a knockout search or obtaining basic information about the marks owned by any one party. Although a search of these databases can provide a quick answer to very basic questions about availability of marks, it is no substitute for a thorough search of other possible uses of marks, such as those used as Internet domain names, unregistered marks, and those registered

with individual states. Moreover, trademark applications are not immediately entered into the database, resulting in incomplete data.

In addition to the records of the USPTO, a preliminary search should review records of well-known, publicly accessible Internet databases. Thus, a simple search using the Google search engine may well disclose common law uses, such as businesses using the mark or other products offered under the mark both throughout the nation and internationally. Even a quick USPTO and Google-type search are better than no search. However, if a mark is important to a company and will be key to its future, a comprehensive search should be conducted.

Step Two: The Comprehensive Search

The most complete analysis of potentially conflicting marks is provided by professional trademark search firms. These companies review the records of the USPTO for existing registrations and pending applications, review state trademark office records for state trademark registrations, and perform a “common law” search of various journals, directories, press releases, domain names, and Internet references to locate unregistered names and marks. Such a search is called a **comprehensive**, or **full**, **search**. Because there are literally thousands of Internet uses, journals, directories, telephone books, and other publications in which names and marks may appear, these professional search firms can save considerable time and money and, more importantly, provide a more thorough search than that which an individual can conduct on his or her own. Some of these companies advertise that their databases include millions of marks that can be checked against the client’s mark for potential conflicts. These companies will check for identical and phonetically equivalent marks for similar goods and services and will also check for foreign equivalents. Thus, a search for KARCOAT will disclose marks such as CARCOAT

and CARKOAT, and a search for “hat” will disclose “chapeau.” Marks with design elements also must be searched; these searches are usually a bit more expensive than searches for marks consisting solely of words due to the time-consuming task of comparing other design marks to the proposed mark. Professional search firms can also customize searches and conduct investigations as to how a potentially conflicting mark is used in the marketplace.

Costs for full-availability searches can run from \$600 for results available in four business days to approximately \$1,500 for same-day searches. These costs do not reflect an attorney’s time in evaluating the results and providing a report to a client, but rather reflect only the costs of obtaining a report that discloses potentially conflicting marks. Some companies will send the report by express mail or other overnight service or may send it via facsimile (although due to the voluminous nature of many reports, this is not a common practice). Another more recent alternative is that the report may be sent to an office via electronic transmission or e-mail. The search company will post the report to a bulletin board server, and the law firm then retrieves the search report. The report is typically divided into three sections: results gained from reviewing USPTO registrations and applications; results gained from reviewing state trademark records; and the common law results (references to marks on the Internet, in magazines, telephone directories, Internet domain names, and so forth).

Most of the professional searching firms will tailor the search to specific requirements, so that they will conduct only common law searches, or only an Internet domain name search, an international search, and so forth. Intellectual property practitioners who engage the professional searchers on a routine basis often obtain volume discounts.

Although the Internet makes thousands of common law uses of trademarks accessible, the sheer volume of sources makes weeding out immaterial

uses of a mark difficult. No search, no matter how thorough, can guarantee that a client may use or register a mark.

International Searching

A client interested in protecting his or her mark in foreign countries should conduct a search of the records of each country in which an application will be filed. Although the U.S. search firms can conduct such searches, interpreting the results and predicting how a foreign trademark office would view the application is very difficult for U.S. practitioners who typically are not experts in foreign trademark law. Therefore, most law firms that do trademark work have established relationships with their counterparts in foreign countries and rely upon these **associates** to conduct a search and report the results. The foreign associate then files the trademark application and prosecutes it, while the U.S. attorney generally supervises the process and communicates the progress of the application to the client.

Many foreign countries allow free searching of their trademark office databases, much the way one can search for U.S. marks through the USPTO's TESS or TARR systems.

The World Intellectual Property Organization (WIPO) offers direct linking to the intellectual property offices of more than 100 countries through its website at <http://www.wipo.int/directory/en/urls.jsp>. Moreover, WIPO allows for searching of Madrid Protocol trademarks at <http://www.wipo.int/romarin/newSearch.do> (although these databases may not be complete).

Professional Search Firms

Some of the better-known search firms include the following.

- Thomson CompuMark, 500 Victory Road, North Quincy, MA 02171; (800) 692-8833

(http://compumark.thomson.com/do/thomson_compumark). Thomson CompuMark (part of Thomson Reuters) is a well-known trademark services firm, offering a full line of services, from trademark searching to monitoring of trademarks to protect them from infringement, to investigations, to retrieving documents at the USPTO. Thomson CompuMark is the owner of the TRADEMARKSCAN, DIALOG, and SAEGIS products described earlier in this chapter. Thomson CompuMark's new service, Serion, allows users to customize search reports, add flags and comments, and collaborate with colleagues when analyzing search results that are delivered to a viewer's e-mail inbox. These tools allow colleagues to share trademark results and cut and paste search results into letters to clients.

- Government Liaison Services, Inc., 200 North Glebe Road, Suite 321, Arlington, VA 22203; (800) 642-6564 (<http://www.trademarkinfo.com>). Government Liaison Services offers full professional searching as well as document preparation and retrieval services.
- CSC Corporation Service Company, 2711 Centerville Road, Wilmington DE 19808; (866) 403-5272 (<https://www.cscglobal.com/global/web/csc/home>). CSC provides trademark searching, screening, and monitoring services.
- CT Corsearch, 345 Hudson Street, New York, NY 10014; (800) 732-7241 (<http://www.ctcorsearch.com>). CT Corsearch offers a full suite of trademark searching services, including professional searching, document retrieval, and monitoring services to ensure a client's trademark is not infringed.

Evaluating Trademark Search Reports

Once the results of the search have been obtained, they must be evaluated so that the fundamental questions of whether the mark is available for use and

registration can be answered. The evaluation begins with an analysis of each mark or name provided in the report and a comparison of it to the proposed mark to determine whether they are confusingly similar. This analysis requires one to take into account the overall commercial impressions presented by the marks; their similarity in regard to sight, sound, and meaning; the relative strength or weakness of the marks based on their descriptiveness or suggestiveness; and the goods or services offered under each mark.

A typical search entry will appear as follows:

Mark	BITTY BEAR
Reg. No.	1,990,314
Reg. Date	July 30, 1996
Filing Date	June 2, 1994
Date of first use	September 11, 1995
Goods	Stuffed toy bears
I.C.	28
Owner	American Girl, LLC, 333 Continental Boulevard El Segundo, CA 90245

Assume a client wished to introduce a new line of children's books called BUDDY BEAR. The existence of BITTY BEAR for stuffed toy bears may present a conflict. The marks are similar in appearance (with only a few letters being different) and similar in sound, and children's books may be viewed as related to children's stuffed toys. Consumers who encounter the BUDDY BEAR books might believe they are somehow connected with BITTY BEAR or that BUDDY BEAR is a new line of books sponsored by the makers of BITTY BEAR. On the other hand, if there are numerous other marks including BEAR for related goods (as in fact there are, such as BEDDY-BEAR and BOSSY BEAR), this is likely a sign that marks including BEAR for toys and related goods are weak and they have been allowed to coexist. If numerous similar marks for similar goods or services

coexist, it is less likely that a mark will be refused or attacked. Consumers become adept at distinguishing similar marks for related products, as seen by the coexistence of MICROSOFT®, MICRON®, and MICRO CENTER® for related goods and services. In many instances, paralegals provide the initial review of the search report and flag potential problems or "hits" for an attorney's later evaluation. Paralegals also play a key role in investigating some of the sources revealed in the report. By contacting the owner of a mark, a searcher may discover the mark is no longer in use or that the company has ceased doing business. Marketing materials can be reviewed to determine the actual manner in which the mark is used. The file for a conflicting mark can be obtained from the USPTO (or viewed electronically through TDR) to determine what objections were made to the application by the USPTO and how the owner overcame them.

Reporting the Results to the Client

A formal written report will then be prepared for the client. The letter, often called an "availability" or "clearance" report, typically includes the following elements:

- A description of the mark that was the subject of the search (or a copy of the image of the mark if it includes a design);
- A description of the method of the search, the databases that were checked, and the dates applicable to the search parameters;
- A section describing limitations on the search report, such as a disclaimer or statement that the results of the search cannot be guaranteed and that, due to errors in cataloging records and files and time delays in entering marks into databases, some marks might not be disclosed in the search;
- A discussion of potentially conflicting marks;
- The opinion in regard to availability of the mark for use and registration; and
- Recommendations for further action or investigation, if needed.

The heart of the report is the attorney's opinion in regard to whether the mark is available. Because this is the portion of the report in which the client is most interested, the opinion should be stated clearly and should outline any risks in using the mark. The attorney may state, "We believe the BUDDY BEAR mark is distinguishable from the references disclosed in the report and may be available for use and registration in connection with children's books," or, conversely, may state, "Based on our review of the results, we do not recommend that you use or apply for registration of BUDDY BEAR." The attorney may even go so far as to inform the client that use of BUDDY BEAR could subject the client to risk of an infringement action.

Providing the opinion is often a difficult and time-consuming task. Clients are often in a rush to launch a new product or service and are eager to adopt a mark. They may have already begun an

advertising campaign. There may be significant pressure from the client to obtain a favorable response. All of these factors, coupled with the uncertainty inherent in subjective comparisons of marks, make trademark opinion work difficult and stressful.

Investigating and Resolving Conflicts

The report of the trademark search results may disclose several potential conflicts, and the IP team may seek the client's permission to investigate these conflicts further. Alternatively, some investigation may be done before the report is provided to the client. If the client is wedded to a mark that may be barred by another mark, several options can be explored.

- **Investigation and Research.** Further investigation can be conducted using other databases,



Although paralegals play an active and vigorous role in nearly all IP-related activities, there are a few activities in which paralegals may not engage:

- Paralegals may not establish a client relationship or set fees.
- Generally, they may not appear in court (or at administrative proceedings such as those at the TTAB) on behalf of clients.
- They may not provide legal advice.

Thus, although paralegals perform trademark searches, investigate conflicts, and write first drafts or portions of opinion letters to clients regarding trademark availability, all letters to clients that provide legal advice must be signed by attorneys. Similarly, be careful not to respond to a client's request for advice. If a client asks what the results of a trademark search show, respond that the attorney will provide an opinion after the evaluation is complete. Alternatively, paralegals may relay information to clients, such as the following, "Mr. Lopez has asked me to tell you that his preliminary opinion is that the mark is available for use, and he will be in touch with you shortly."

such as Dun & Bradstreet, to determine the amount of business conducted by the potential opposer. Private trademark investigators may be hired to go to the place of business and see how the mark is being used by obtaining the toys bearing the BITTY BEAR mark. A search can be conducted of records at the TTAB or through *Shepard's Citations* to determine if the owner of BITTY BEAR has aggressively protected its mark through litigation. It is possible that although a conflicting mark is registered with the USPTO, it is no longer in use. Under the Lanham Act, there is a presumption that a mark has been abandoned if it is not used for three years. Similarly, failure to file various maintenance and renewal documents with the USPTO will result in cancellation of a registration. Thus, an investigation into how or whether the conflicting mark is used may reveal that the mark has been abandoned and is

now available to the client to use. As discussed earlier, many of the professional search firms identified in this chapter will conduct investigations to determine how a mark is actually being used in the marketplace.

- **Consent to Use.** The owner of BITTY BEAR can be contacted to obtain consent to use and register the client's mark. The client may pay some money for this consent or may agree to display the mark only in connection with specified goods or in a certain typeface and format.
- **License and Assignment.** The client might seek to obtain a license from another to use a mark or might seek to acquire the other mark through an assignment for a certain sum of money.
- **Revising the Mark.** If none of these alternatives are fruitful, the client might revise its mark, in which case a new search must be conducted for the new mark.

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- Among the marks registered by celebrities for entertainment services or sound recordings are BON JOVI®, LADY ANTEBELLUM®, and JAY-Z®.
- The USPTO has registered more than two million trademarks since the first trademark law was passed in 1870. Approximately one million of these are still in effect.
- Microsoft introduced its Excel spreadsheet program in 1985 but did not apply for trademark protection for the mark EXCEL® until 2004.
- Some marks that have celebrated their 100th anniversaries include Nabisco's CREAM OF WHEAT logo and General Electric's "GE medallion."
- In 1921, Elmer Cline of the Taggart Baking Company was preparing to launch a new brand of bread. As he watched an international balloon race, he said to a friend, "What a wonder," and the name WONDER BREAD, with its distinctive red, blue, and yellow balloons, was born.
- Elvis Presley Enterprises has more than 180 pending applications and registrations for marks related to Elvis Presley, including registrations for JAILHOUSE ROCK®, BLUE SUEDE SHOES®, and HEARTBREAK HOTEL® for a variety of goods (including mugs, poker chips, and shot glasses).

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CHAPTER SUMMARY

Once a client has selected a mark, the mark should be subjected to a search to ensure that no other party has secured rights to the mark or to a confusingly similar mark. Failure to conduct a search or failure to conduct an adequate search may be characterized by a court as carelessness and weigh in favor of a party who alleges infringement, although, standing alone, it is not evidence of bad faith, and there is no legal requirement to conduct a search. Reviewing search results and reporting results to clients is difficult and time-consuming. Often, follow-up investigation is needed to determine whether potentially conflicting marks remain in use or are in use with related goods or services. Conducting a search, however, will result in a snapshot of the marketplace, providing information about competitors, conflicting marks, and how the USPTO has handled applications for similar marks.

If the search “clears” the mark, an application should be filed promptly with the USPTO for registration of the mark if the mark has been used in commerce or the client has a bona fide intent to use the mark in commerce.

CASE ILLUSTRATION

EFFECT OF FAILURE TO PERFORM TRADEMARK SEARCH

- Case:** *Star Industries, Inc. v. Bacardi & Co.*, 412 F.3d 373 (2d Cir. 2005)
- Facts:** Plaintiff Star brought an action alleging infringement of its stylized “O” used on labels for its orange-flavored vodkas. Defendant Bacardi, the junior user, adopted a stylized “O” on its labels for its orange-flavored rum after a trademark search. Star also alleged that Bacardi’s failure to conduct a trademark search (or flawed trademark search) was a factor showing its bad faith. The district court found no infringement.
- Holding:** The appellate court affirmed. One factor in determining infringement is a defendant’s good faith or bad faith in adopting a mark. In this case, Bacardi had conducted a trademark search before adopting its “O” mark. Star contended that the search was flawed and that Bacardi’s failure to order a new search was evidence of its “willful blindness.” The court noted that it had never before held that adoption of a mark with no knowledge of a prior similar mark to be in bad faith, even in the total absence of a trademark search, much less on the basis of an allegedly flawed trademark search. Bacardi’s selection of a mark that reflected the product’s characteristics, request for a trademark search, and reliance on advice of counsel were all factors that supported a finding of good faith. After evaluating all factors (including the fact that the marks were weak and presented a different commercial impression when viewed in their entirety), the court held the two marks were not likely to be confused.

CASE STUDY AND ACTIVITIES

Case Study: Holiday has decided to introduce several new products and services, each of which will bear a different trademark or service mark. They include the following:

- HOLLY-DAY (for a one-week cruise to take place next December on one ship);
- HOME FOR THE HOLIDAY (for household gift items, such as candles and knick-knacks); and
- HOME FOR THE HOLIDAY (for an entertainment show to occur on most of its cruises).

Activities: Describe the types of searches that should be conducted for each mark. Assume that the search for HOME FOR THE HOLIDAY discloses an expired trademark registration for HOLIDAY HOUSE for pillows and vases.

ROLE OF PARALEGAL

Paralegals play a significant role in the clearance and availability stage of a trademark application. Although legal advice can be given only by attorneys, there are numerous activities in which paralegals will be involved:

- Obtaining information about the client's proposed mark;
- Conducting a preliminary in-house knockout search to eliminate bars to registration;
- Ordering and reviewing a comprehensive search, flagging items of concern;
- Consulting with the IP team regarding potentially conflicting marks disclosed in searches; and
- Conducting investigations of potentially conflicting marks.

INTERNET RESOURCES

USPTO TESS and TARR databases:	http://www.uspto.gov [select either "Search Marks (TESS)" or "Check Status (TARR)"]
Trademark search tips:	http://www.clpgh.org/locations/reference/ptdl/tradetips.html http://www.bpmlegal.com/howtotmsrch.html
Links to state and foreign trademark offices:	http://www.ggmark.com
WIPO's directory of foreign IP offices:	http://www.wipo.int/directory/en/urls.jsp
DIALOG tutorials:	http://support.dialog.com/training/workbooks
Translation site (to translate foreign terms):	http://babelfish.altavista.com

DISCUSSION QUESTIONS

1. A client wishes to use the mark COME IN FROM THE COLD for a special sales promotion in March for its sale of jackets and outerwear at its St. Paul store. What type of search should be conducted?
2. A client wishes to use the mark SPRINGWOOD for its new assisted living facilities, which will be located throughout the United States. What type of search should be conducted?
3. A client wishes to use the mark BLAST for its new soft drink. Your preliminary search discloses the following registrations: BLASTERS (for candy), FRESH BLAST (for gum), and BLAST-ONE (for energy bars). What does the coexistence of these marks suggest, if anything?
4. You have conducted a preliminary search for the mark OCEANAIRE for scented candles and discovered that a registration for OCEANAIR for room freshener spray has expired. What should you do, if anything?
5. Why is it advisable to retain the services of a foreign associate to assist in conducting a search for a mark your client wishes to apply to register in Germany?

USING INTERNET RESOURCES

1. Access the USPTO website and indicate how many Patent and Trademark Depository Libraries there are in California and in New York.
2. Access the website for the North Carolina Secretary of State and conduct a search to locate the trademark “wallabies.” When must the mark be renewed? For what services is the mark registered?
3. Assume a client wishes to use the mark BISCOTTI E CREMA for restaurant services, namely a pastry shop. Use Babelfish and translate the mark from Italian to English. Do you believe this mark is descriptive or merely suggestive? Discuss.
4. Access the USPTO website and use the New User search form. Locate the registration for MADJAX.
 - a. Briefly, for what goods is the mark registered?
 - b. When was the mark registered?
5. Access the USPTO website and use the New User search form. Locate the mark registered as U.S. Reg. No. 3285880.
 - a. What is the mark?
 - b. Access TDR. Review the outgoing Office Action dated August 31, 2006. Briefly, what was the primary ground for refusal of registration of the mark?
6. Access the USPTO website and use the Structured Form. Insert “bread” into one field and select “Goods & Services.” Insert “Orowheat” into the other field and select “Owner Name and Address.”
 - a. Which mark are you given?
 - b. View “Assignment Status.” From whom did the current owner receive title to the mark?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 4

The Trademark Registration Process

CHAPTER OVERVIEW

From the discussion in Chapter 2, it is clear that federal registration of a mark offers a trademark owner distinct advantages over mere reliance on common law or state trademark rights. There are two primary paths to registration for U.S.-based applications: a use-based application (alleging use in interstate commerce) and an intent-to-use application (alleging a bona fide intent to so use the mark in the future). Both types of applications share many common features and progress through the registration process in a fairly similar fashion. The process for federal registration of a mark can be expensive and can take as long as 10 to 18 months, even if there are no significant problems or delays. Registrations based on foreign applications or foreign registrations are discussed in Chapter 8.

PREPARING THE APPLICATION

Introduction

Once a mark has been selected and cleared for use and registrability, an application for federal registration of the mark should be prepared and filed. The application consists of a request for registration, information about the applicant (such as name, address, citizenship, and domicile), an identification of the goods and/or services offered under the mark, a drawing of the mark, a verification or declaration signed by the applicant or agent or attorney, the basis for filing the application (namely, whether the application is based on actual use of the mark or the owner's intent to use the mark), a specimen showing use of the mark (if the application is based on use), and a filing fee. The process of moving an application through the USPTO is called **prosecution**.

The application must be in English. Fill-in forms for electronically filed applications are provided by the USPTO. The USPTO "strongly discourages" paper or "self-created forms" and prefers that applicants use its electronic application system, which nearly all applicants do.

The USPTO does not generally require that the documents submitted to it be originals. Photocopies may be submitted (except for foreign registrations and certain other special documents for which certified copies are required). Thus, if a client signs an application and returns it to your office by facsimile (fax), you may photocopy the signature page, attach it to the application, and file it with the USPTO, as long as the signature is legible.

The USPTO permits the filing by fax of most papers and documents; however, trademark applications are not acceptable by fax. They must be hand-delivered to the USPTO, filed by mail, or, preferably, submitted electronically.

All of the requirements relating to the filing and prosecution of trademark applications are

governed by the *Trademark Manual of Examining Procedure (TMEP)*, an excellent source of materials with numerous examples and case citations. Most trademark practitioners keep the TMEP handy at all times. The TMEP is also available on the USPTO website at <http://tess2.uspto.gov/tmdb/tmep>. Bookmark this site.

The USPTO introduced its electronic filing system in 1998. The **Trademark Electronic Application System (TEAS)** permits applicants to file nearly all documents electronically. For example, applicants can fill out a trademark application form electronically and submit it directly to the USPTO over the Internet, paying by credit card, automated deposit account, or electronic funds transfer. In addition to trademark applications, documents relating to maintenance and renewals of trademarks, petitions, and responses to USPTO inquiries and office actions can be filed electronically. Documents can also be prepared using the USPTO online forms, printed out, and then mailed to the USPTO (although this is somewhat rare and is disfavored by the USPTO).

When a document is filed electronically, the USPTO receives it within seconds after filing and promptly issues a confirmation of receipt (called a "success" page or screen) of electronic filing. These electronically filed documents are examined more quickly than their paper counterparts. Documents submitted electronically using TEAS are considered filed on the date the USPTO receives the transmission (even if that day is a Sunday or holiday).

Documents requiring signatures use a symbol adopted by the applicant as a signature, for example, /john h. taylor/, or /jht/, or a scanned pen-and-ink signature. Similarly, when submitting an image or specimen, the applicant must submit a digitized image in .jpg or .pdf form.

The USPTO prefers that applicants file documents electronically using TEAS, and by 2008, 97 percent of all trademark applications were filed

electronically. The USPTO almost exclusively communicates with customers electronically. By 2011, more than 70 percent of all trademark applications were filed, processed, and disposed of relying completely on electronic systems and communications. The TEAS system can be accessed at <http://www.uspto.gov>.

The Applicant

An application to register a mark can be made only by the owner of the mark or, in the case of an intent-to-use application, by a person who has a bona fide intent to use the mark in commerce. Applicants may be natural persons or business entities such as corporations, partnerships, associations, unions, or other organizations. Government entities such as nations, states, municipalities, and other governmental bodies also can apply to register marks that they own. For example, the U.S. Office of Naval Research is the owner of the registered mark BLUE ANGELS®, and the New York State Department of Economic Development is the owner of the famous mark I LOVE NY® (with a heart design replacing the word “love”).

The applicant’s name must be in correct legal form. Thus, a corporation that owns a mark should be identified in the application by the name set forth in its articles of incorporation. Clients often abbreviate their corporate names or make mistakes in the punctuation of their corporate names. Because the certificate of registration will issue in the name of the applicant as set forth in the application, errors in an owner’s name will result in errors in the certificate of registration. Therefore, the secretary of state in the state in which the corporation was incorporated may need to be contacted to verify the precise spelling and punctuation of the corporate name. All states allow online verification.

If the applicant is a person or business that conducts business under a fictitious business name,

for example, “Sam Smith, doing business as ‘Sam’s Cheesecake Factory,’” the application should include the assumed name.

If the applicant is a partnership, for example, “Balboa Gardens Partnership,” the application should be made by the partnership itself and should identify the state in which the partnership was organized.

Identifying an applicant as a “company” or “firm” will result in rejection of an application because the terms do not have a specific meaning; the applicant must be expressly identified as a corporation, a partnership, a joint venture, a limited liability company, and so forth.

A trademark or service mark application is usually filed in the name of one party. Historically, the USPTO has been reluctant to accept applications by joint applicants because ownership by more than one party seems to be contrary to the function of a trademark to identify a single commercial source. Although an application by joint applicants is acceptable in some instances, for example, by a husband and wife who share joint ownership of a mark, an examining attorney at the USPTO will carefully scrutinize applications by joint applicants to ensure that both parties own the mark in common. A joint venture or a partnership are not joint applicants. A joint venture or a partnership is a single business applicant that owns a mark.

The application must specify the applicant’s citizenship. For an individual, it is sufficient to state that the applicant is a citizen of the United States, France, or some other country. For a corporation or other business entity, the state or country of organization must be identified. Thus, a statement that the applicant is “ABC Inc., a corporation organized under the laws of the State of California” is acceptable.

The written application must provide the address of the applicant, including the zip code number. An individual may identify a residence or business address. Corporations and other business entities should set forth their business addresses.

Identification of Goods or Services

The application must identify the goods and/or services offered or to be offered under the mark that is the subject of the application. Careful consideration must be given to drafting this part of the application. Goods and services are categorized by the USPTO into 45 separate classes, called **International Classes** because most other nations use this same classification system established by WIPO. Until 1973, the USPTO used a different classification scheme, called the United States Classification Scheme. Each class requires a filing fee (presently \$325 for electronic TEAS filing). Thus, an electronic application for the mark RALPH LAUREN® to be used in connection with paint in International Class (I.C.) 2, cosmetics in I.C. 3, stationery in I.C. 16, beverage glasses in I.C. 21, and clothing in I.C. 25, for a total of five classes, would require a filing fee of \$1,625. A registered mark only receives protection for those classes in which it is registered. Thus, if in an effort to save \$325, the application for the RALPH LAUREN mark does not include beverage glasses in I.C. 21, there will be no registration for the mark for those goods. Preparing the application requires careful analysis of all of the goods/services for which the mark will be used to ensure that the mark receives all the protection it needs. A detailed listing of the international classes with numerous examples is found in Chapter 1400 of TMEP, available on the USPTO's website. Alternatively, the USPTO offers its Trademark Acceptable Identification of Goods and Services on its website, allowing a search by key word. Thus, if you enter "baseball mitts" in the open field, you will be informed that these goods are in I.C. 28. (See Exhibit 4–1 for a list of the international classes and explanation of the goods/services in each class.)

If a mark is used for more than one class of goods or services, the applicant may either file a combined (or multiple-class) application, listing all

of the goods and services in the same application, or file entirely separate (or single-class) applications for each class of goods/services. The filing fees will be identical. Some attorneys prefer to file separate applications, believing that a defect in regard to one class of goods or services in a combined application will hold up registration for the mark in all classes. For example, if three separate applications are filed for goods in I.C. 3, 21, and 25, and there is a delay with regard to the goods in I.C. 25, the other two applications may proceed to registration, thereby allowing the applicant to secure a registration for the mark at least in regard to some goods. The final decision on whether to file a combined application or a separate application is one of tactics and strategy.

The USPTO requires that the identification of goods or services be as clear, accurate, and concise as possible. The accuracy of identification language is of particular importance because, although an identification may be limited or clarified, no addition to, or expansion of, an identification is permitted after an application is filed. Thus, if an application is filed on January 1 for women's clothing in I.C. 25 and the applicant later wishes to add perfume (in I.C. 3) to the application, such an amendment would not be allowed. The applicant would be required to file an additional application that would then have a later filing date than the first application filed January 1. The applicant may, however, amend the original application to clarify that the clothing to be offered consists of blouses, skirts, and pants. Thus, the applicant may amend from the general to the specific (but not the reverse). An applicant cannot attempt a blanket filing for "all the goods in I.C. 9." Such an application would be refused by the USPTO. If an applicant incorrectly classifies clothing in I.C. 26 rather than in I.C. 25, the USPTO will allow correction of this error.

Typically, the USPTO requires that the applicant use terms such as *namely* and *consisting of* when identifying goods. Thus, an identification of

International Class	Goods/Services	Explanatory Note
1	Chemicals	Includes chemicals used in industry, science, photography, manures, adhesives used in industry
2	Paints	Includes paints, varnishes, lacquers, raw natural resins
3	Cosmetics and cleaning preparations	Includes bleaching preparations and other substances for laundry use, soaps, cleaning preparations, perfumery, cosmetics, hair lotions
4	Lubricants and fuels	Includes industrial oils and greases, lubricants, candles, and wicks
5	Pharmaceuticals	Includes pharmaceuticals and other preparations for medical use, disinfectants, materials for dressings, food for babies
6	Metal goods	Common metals and their alloys, metal building materials, pipes and tubes made of metal, safes
7	Machinery	Machines and machine tools, motors and engines (except for land vehicles), agricultural implements
8	Hand tools	Hand tools, cutlery, razors
9	Electrical and scientific apparatus	Scientific, nautical, surveying, photographic, optical apparatus and instruments, cash registers, apparatus for recording, transmission, or reproduction of sound or images, magnetic data carriers, recording discs, calculating machines, data processing equipment, computer programs and software
10	Medical apparatus	Surgical, medical, dental, and veterinary apparatus and instruments, suture materials
11	Environmental control apparatus	Apparatus for lighting, heating, steam generating, cooking, drying, refrigerating, water supply, and sanitary purposes
12	Vehicles	Vehicles, apparatus for locomotion by land, air, or water, motors and engines for land vehicles
13	Firearms	Firearms, ammunition and projectiles, explosives, fireworks
14	Jewelry	Precious metals and goods in precious metals, jewelry, precious stones, clocks, watches
15	Musical instruments	Includes mechanical pianos, musical boxes, electrical and electronic musical instruments
16	Paper goods and printed matter	Paper, cardboard, printed matter, photographs, stationery, artists' materials, typewriters and office requisites (except furniture), instructional and teaching material, magazines, books
17	Rubber goods	Rubber, gum, plastics in extruded form, packing material, flexible pipes (not of metal)

EXHIBIT 4-1 List of International Classes

(Continues)

International Class	Goods/Services	Explanatory Note
18	Leather goods	Leather and imitations of leather, trunks, traveling bags, umbrellas, whips, saddlery
19	Nonmetallic building materials	Building materials (nonmetallic), asphalt, pitch, nonmetallic rigid pipes for building
20	Furniture and articles not otherwise classified	Furniture, mirrors, picture frames, goods of wood, cork, wicker, bone, shell, amber, and substitutes for all these materials
21	Housewares and glass	Household or kitchen utensils and containers (not of precious metal), combs and sponges, brushes, articles for cleaning purposes, glassware, porcelain, earthenware
22	Cordage and fibers	Ropes, string, nets, tents, awnings, tarpaulins, sails, sacks
23	Yarns and threads	Yarns and threads, for textile use
24	Fabrics	Textile goods not in other classes, bed and table covers
25	Clothing	Clothing, footwear, headgear
26	Fancy goods	Lace and embroidery, ribbons, braid, buttons, pins, needles, artificial flowers
27	Floor coverings	Carpets, rugs, mats, linoleum, wall hangings (nontextile)
28	Toys and sporting goods	Games and playthings, sporting articles, decorations for Christmas trees
29	Meats and processed foods	Meat, fish, poultry, game, preserved and cooked fruits and vegetables, jams and jellies, eggs, milk and milk products, edible oils and fats
30	Staple foods	Coffee, tea, sugar, rice, flour and preparations made from cereals, bread, pastries and confectioneries, honey, mustard, salt, yeast, spices
31	Natural agricultural products	Agricultural, horticultural, forestry products, and grains not in other classes, living animals, fresh fruits and vegetables, seeds, natural plants and flowers
32	Light beverages	Beers, mineral and aerated waters, and other nonalcoholic drinks, fruit drinks and juices, syrups
33	Wine and spirits	Alcoholic beverages (except beers)
34	Smokers' articles	Tobacco, smokers' articles, matches
Services		
35	Advertising and business	Advertising, business management, business administration, office functions
36	Insurance and financial	Insurance, financial affairs, monetary affairs, real estate affairs

EXHIBIT 4-1 (Continued)

37	Building construction and repair	Building construction, repair, installation services
38	Telecommunications	Includes services allowing at least one person to communicate with another by sensory means
39	Transportation and storage	Transport, packaging and storage of goods, travel arrangement
40	Treatment of materials	Includes mainly services rendered by the mechanical or chemical processing or transformation of objects or substances, for example, dyeing a garment or destruction of trash
41	Education and entertainment	Education, providing of training, entertainment, sporting, and cultural activities
42	Computer and scientific	Scientific and technological services and research and design relating thereto, industrial analysis and research services, design and development of computer hardware and software
43	Hotels and restaurants	Services for providing food and drink, temporary accommodations
44	Medical, beauty, and agricultural	Medical services, veterinary services, hygienic and beauty care for human beings or animals, agriculture, horticulture and forestry services
45	Personal	Legal services, personal and social services rendered by others to meet the needs of individuals, security services for the protection of property and individuals

EXHIBIT 4-1 (Continued)

“cosmetics, *namely*, lipstick and deodorant” is acceptable, while an identification of “cosmetics, *including* lipstick and deodorant” will be refused as indefinite and overbroad inasmuch as a reader cannot tell with specificity all of the goods that will be offered under the mark from reading the identification.

Finally, due to the increased volume of applications for computer-related goods in I.C. 9, the USPTO expressly requires that identifications of goods for computer software or comparable goods must specify the purpose or function of the program. For example, the following descriptions would be acceptable to the USPTO: “computer software

for word processing for accounting” or “database management software for use by financial advisers.” A broad description such as “computer programs in the field of medicine” is not acceptable. See Exhibit 4-2 for examples of identifications of goods and services.

Computer services are identified according to the class in which the underlying service is classified. Thus, banking services are in I.C. 36 (financial services) whether they are provided in a “brick-and-mortar” bank or online, and online bulletin boards and chat rooms are classified in I.C. 38 (telecommunications services) regardless of the content or subject matter.

Type of Mark	Mark	International Class	Goods/Services	Other Data
Trademark	POLO RALPH LAUREN	I.C. 3	Cologne, after-shave, toilet soap	Registration notes that “‘Ralph Lauren’ is a living individual whose consent is of record.”
Trade-mark (with disclaimer)	RAISIN BRAN CRUNCH	I.C. 30	Processed cereal	Registration notes the following disclaimer: “No claim is made to the exclusive right to use ‘Raisin Bran’ apart from the mark as shown.”
Service mark	PARAMOUNT (& DESIGN)	I.C. 41	Entertainment services, namely production of motion pictures and television programs	Registration notes, “The mark consists of the word ‘Paramount’ in stylized letters about five shadow mountain with an arc of stars surrounding it all.”
Design mark	[Design of Hat] registered to Walt Disney Company	I.C. 25	Hats	The registration notes, “The mark consists of the configuration of round mouse ears attached to a beanie.”
Service mark (with disclaimer)	JURASSIC PARK RIVER ADVENTURE	I.C. 41	Amusement park services	The registration notes the following disclaimer: “No claim is made to the exclusive right to use ‘River Adventure’ apart from the mark as shown.”
Certification mark	U2 (& DESIGN)	I.C. A (previous classification for certification marks)	Pressure vessels intended for high-pressure application	The registration notes, “The certification mark is used by persons authorized by applicant to certify that the products on which the certification mark is stamped meet applicant’s standards for the material, design, construction and workmanship of said products.”
Sound mark registered to Harlem Globetrotters	Sound mark	I.C. 41	Entertainment services in the nature of basketball exhibitions	Registration notes, “The mark consists of the melody ‘Sweet Georgia Brown.’”
Collective membership mark	AMERICAN BAR ASSOCIATION	I.C. 200 (previous classification system for collective marks)	Indicating membership in applicant	No other data noted

EXHIBIT 4–2 Samples of Identifications of Goods and Services

Basis for Filing Application and Method of Use

The application submitted to the USPTO usually specifies one of the following five bases for the application (and usually states the manner in which the mark is used, such as indicating that the mark is affixed to goods or used in advertisements offering services):

- **Actual Use.** The applicant claims actual use of the mark in commerce, specifying a date of first use in commerce (15 U.S.C. § 1051(a));
- **Intent-to-Use.** The applicant claims a bona fide intent to use the mark in commerce (15 U.S.C. § 1051(b));
- **Foreign application.** The applicant claims a bona fide intent to use the mark in commerce and that the mark is the subject of a prior foreign application (15 U.S.C. § 1126(d)); or
- **Foreign registration.** The applicant claims a bona fide intent to use the mark in commerce and that the mark is the subject of a prior foreign registration (15 U.S.C. § 1126(e)).
- **Extension of Protection.** The applicant, a foreign entity, files an application (or has a registration) in its home country and then files a request for an extension of protection to the United States under the Madrid Protocol (and claims a bona fide intent to use the mark in commerce). (15 U.S.C. § 1141f). Applications based on foreign applications and registrations are discussed in Chapter 8.

Recent cases confirm that a mere subjective statement that one has a bona fide intention to use a mark in the future is insufficient; an applicant should be prepared to substantiate its bona fide intent to use the mark through the use of documentary evidence, such as marketing and business plans. Thus, ITU applicants should possess a definite plan to use a mark and to have that plan evidenced by some

documents in order to ensure their applications do not fail on the basis that there was no bona fide intent to use the mark at the time the application was filed. The absence of any documentary evidence on the part of the applicant regarding its intentions may be sufficient to prove the applicant lacks a bona fide intent to use a mark. (See Case Illustration at the end of this chapter.)

If the basis for filing the application is not set forth in the application, it can be supplied during examination of the application.

DRAWING OF MARK

One of the most critical parts of the application is the **drawing** or the display of the mark sought to be registered. Because the drawing is entered into the automated records of the USPTO and is available to the public through TESS and TARR (discussed in Chapter 3) and because the drawing is used when the mark is ultimately published in the USPTO publication *Official Gazette* and is reproduced in the actual certificate of registration, the drawing must conform with specific USPTO requirements.

There are two types of drawings: standard character drawings and special form drawings. A *standard character drawing* is simply a typewritten display of the mark. For example, the word KRAFT® constitutes a standard character drawing. In reality, the display is not a “drawing” at all. A standard character drawing is used when the mark consists solely of words, letters, or numbers with no pictorial or graphical element. The application must include the following statement: “The mark consists of standard characters without claim to any particular font style, size, or color,” which statement will appear in the *Official Gazette* and on the certificate of registration. The applicant may use its standard character mark in any font, in bold or italicized letters, and in uppercase or lowercase letters. Prior to late 2003,

“standard character” drawings were called “typed” drawings and were always displayed entirely in uppercase letters.

A *special form drawing* is used when applicants seek to register a mark that includes a two- or three-dimensional design, color, and/or words, letters, or numbers or a combination thereof in a particular font style or size. For example, the well-known display of “Chef Boyardee” on various food products is an example of a special form or design mark. The USPTO now requires a description of the mark in any application to register a mark that is not in standard characters; this assists searchers attempting to locate marks including design elements such as stars, trees, or animals, for example.

Almost all trademark applications are now filed electronically through TEAS; thus, most drawings are submitted through TEAS. For standard character drawings, the applicant must enter the mark in the appropriate field or attach a digitized image of the mark. For special form drawings, the applicant must attach a digitized image of the mark in .jpg format. The USPTO states that the number one mistake applicants make when filing trademark applications is in the drawing.

If the trademark application is filed in paper form, there are numerous requirements relating to the type of paper used and the size of the drawing.

The precise and exacting requirements for the drawing correlate to the method for searching trademarks. If individuals could display marks in any format they desired, searching the USPTO records to determine if a confusingly similar mark exists would be nearly impossible. Moreover, the USPTO ultimately publishes the marks in the *Official Gazette*. Conformity in display of marks allows for ready review of the published marks.

Because applications filed under 15 U.S.C. § 1051(b) are based on an intent to use the mark in the future, an applicant may not have made a final determination on the exact appearance of a mark at

the time an application is filed. For intent-to-use applications, the USPTO will allow some minor variation between the drawing submitted at the time the application is filed and the mark as actually used. Nevertheless, the drawing must be a substantially exact representation of the mark as it will eventually be used.

If an applicant wishes to claim color as a feature of the mark, the application must so specify. For example, the applicant will be required to state “the color yellow is claimed as a feature of the mark.” If color is not claimed, the mark may be displayed in any color. Generally, therefore, color is claimed only when such a feature is critical to recognition of the mark, such as the golden color of McDonald’s “golden arches” mark or the yellow color of the “Livestrong” bracelets used by the Lance Armstrong Foundation.

No drawing is required if the mark consists only of a sound, scent, or other nonvisual matter. For these types of marks, the applicant must submit a detailed written description of the mark.

Specimens

If the application is made under 15 U.S.C. § 1051(a) and alleges that the mark has been used in commerce, the USPTO will require that the applicant submit proof of such use by providing a **specimen** of the mark showing exactly how the mark is seen by the public. One specimen must be filed for each class of goods named in the application. Thus, if the application is for HELENA (& SWAN DESIGN) for soap in I.C. 3 and sweaters in I.C. 25, two specimens must be submitted.

For applications filed electronically, the applicant must submit a digitized image of the specimen in .jpg or .pdf format. Most law firms use digital cameras to take pictures of their clients’ specimens and then download them and attach them to the electronic application.

For applications relating to goods, tags, containers, labels, and other similar items are preferred. For example, the best specimen for the soap just described would be a picture of the wrapper for the soap, clearly showing the mark HELENA (& SWAN DESIGN). An appropriate specimen for the sweaters would be a picture of an actual tag that is sewn into the back of the garments. The USPTO will accept these digitized photographs as long as the mark can be readily seen as being affixed to the item.

Advertising material is generally not acceptable as a specimen for *goods*. Thus, merely attaching a brochure or ad about products such as soap or clothing is insufficient. Similarly, letterhead displaying the mark and other similar materials such as invoices and business cards are not acceptable. The USPTO wishes to ensure that the mark is in actual use on the goods in question. Thus, mere promotional materials do not show use of goods. Nevertheless, a Web page that displays goods and their trademarks and provides for on-line ordering of such goods is an acceptable specimen.

Advertising materials may, however, be sufficient to show use of a mark in connection with *services*. Thus, if the mark CHUCKY'S FUN TIME is used for restaurant services, a digitized advertisement, coupon, brochure, direct-mail leaflet, or menu would be acceptable specimens inasmuch as

there will be no actual product or good displaying the CHUCKY'S FUN TIME mark. For sound marks, the specimen must be an electronic file (or audiocassette or compact disc if the application is in paper form) in .mp3 or similar format. If the mark includes color, the digitized image must show the mark in color.

Until 1999, the USPTO required three specimens for each class to be submitted at the time of filing of a use-based application. At present, one specimen per class is required, and although applicants may submit specimens during examination, nearly all applicants submit the specimen with their use-based applications.

Declaration and Signature

The application must be signed by and include a declaration or verification by the applicant or its agent or attorney. The **declaration** is a statement placed at the end of the application whereby the signatory acknowledges that the statements in the application are true and that the signatory understands that willful false statements are punishable by fine or imprisonment and may jeopardize the validity of the application or any registration resulting from the application. (See Exhibit 4–3 for form of declaration.)

The undersigned being warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. § 1001, and that such willful false statements and the like may jeopardize the validity of the application or document or any registration resulting therefrom, declares that all statements made of his/her own knowledge are true; and that all statements made on information and belief are believed to be true.

(Signature)

(Print or Type Name and Position)

(DATE)

EXHIBIT 4–3 Declaration for Trademark Application

The declaration is intended to impress upon the signatory the seriousness of the trademark application procedure to ensure that applicants do not claim earlier use dates than those to which they are entitled and do not attempt to “lock up” marks for the purpose of reselling them to others. The applicant or its agent or attorney must then sign the application. For applications filed electronically through TEAS, the filer may use a symbol as a signature (such as /jane smith/). Alternatively, the application is completed online and then printed and given to the signatory who signs it in pen and ink. The document is then scanned to create a .jpg image and is transmitted electronically to the USPTO.

If the application is one made by an individual, this individual will sign the document. If the applicant is a corporation or partnership, the application is usually signed by an officer of the corporation or a general partner, respectively. Joint applicants should each sign the application. Applicants not domiciled in the United States may appoint a “domestic representative” in the United States, namely, a party, typically a law firm, who will receive documents and notices affecting the mark and will communicate with the USPTO on behalf of the applicant. Although these foreign applicants are not required to designate to domestic representative, the USPTO encourages them to do so.

Although an owner of a trademark may file and prosecute his or her own application for registration of a mark, trademark owners are often represented by attorneys familiar with trademark practice. Any attorney licensed to practice may practice before the USPTO, and there is no requirement for any special trademark registration with the USPTO. When attorneys represent applicants, the application may contain a power of attorney designating the attorney to represent the applicant regarding all matters related to the mark. A power of attorney is no longer required, however, for an attorney to sign a declaration on behalf of an applicant.

The Principal and Supplemental Registers

The application should designate whether the application seeks registration on the Principal Register or the Supplemental Register. The **Principal Register** is the primary trademark register of the USPTO. A mark registered on the Principal Register is entitled to all of the rights provided under the Trademark Act. Registration on the Principal Register is preferred because it offers a wider scope of protection for a mark. A mark not eligible for registration on the Principal Register—for example, a descriptive mark that has not yet acquired secondary meaning—may be registered on the **Supplemental Register**. Registration on the Supplemental Register is an indication that a mark does not yet distinguish, but ultimately is capable of distinguishing, the applicant’s goods or services from those of another. Once the mark has acquired distinctiveness, a new application can be filed seeking registration on the Principal Register. In fact, after five years of substantially continuous and exclusive use of a mark, there is a presumption that it has acquired the necessary distinctiveness to allow for registration on the Principal Register, and the registrant may file a new application for registration of the mark on the Principal Register.

The distinctions between registrations on the Principal Register and Supplemental Register are as follows:

- While a registration on the Principal Register is *prima facie* (literally, “at first sight” or “on its face”) evidence of the registrant’s exclusive right to use of the mark, registration on the Supplemental Register has no such evidentiary effect.
- A registration on the Principal Register is constructive notice of a claim of ownership so as to eliminate a defense of good faith in an infringement suit, but a Supplemental Registration has no such effect.

- While a registration on the Principal Register may become incontestable after five years of registration, a Supplemental Registration may never achieve that status.
- Registration on the Supplemental Register cannot be used to stop importations of infringing goods into the United States.

On the other hand, registration on the Supplemental Register does afford some protections:

- An action for infringement of the mark can be brought in federal court.
- The registration will be on file with the USPTO and can be cited by the USPTO against another's subsequent application to register a confusingly similar mark.
- The registration will be located through standard searches of USPTO records, thus possibly deterring others from using or applying for a similar mark.
- The registrant is entitled to use the registration symbol (®).

FILING THE APPLICATION, DOCKETING CRITICAL DATES, AND INITIAL ROLE OF THE U.S. PATENT AND TRADEMARK OFFICE

Filing the Application

The application must be filed with the USPTO within a reasonable time after it has been signed by the applicant, generally within one year after signature. The application must be accompanied by a filing fee for each class of goods and/or services.

The amount of the trademark application fee varies depending on whether the application is filed on paper or electronically. To encourage electronic filing, the USPTO reduces fees for applications filed electronically through TEAS from \$375 to \$325.

A newer system called TEAS Plus reduces application fees even further, to \$275. To qualify for TEAS Plus, an applicant must use a description of goods and services from the USPTO Manual (rather than some customized description), agree to file other documents electronically, and agree to receive communications from the USPTO by e-mail. Applications for certification and collective marks are not eligible for TEAS Plus filing.

To simplify the payment process, many applicants establish **deposit accounts** with the USPTO and deposit a certain amount of money (at least \$1,000) into an account against which fees can be drawn. Alternatively, the USPTO accepts payment of fees by credit card, electronic funds transfer, and check. Trademark fees are set forth at the USPTO website at <http://www.uspto.gov>. (See Exhibit 4–4 for a schedule of USPTO filing fees.)

An advantage of filing electronically through TEAS is that the USPTO immediately issues a confirmation of filing via e-mail (the **success screen** or page) as well as a separate e-mail acknowledgment of receipt that includes the serial number (a number that follows the application throughout the prosecution process), filing date, and a summary of the application details. At present, applications filed through TEAS begin with the two-digit serial number “85,” those filed on paper begin with “76,” and those “international applications” based on requests for extension of protection under the Madrid Protocol begin with “79.”

The filing date of the application is critical because it initiates various time limits. For example, applicants have a duty to inquire about the status of an application if they do not hear from the USPTO within six months of any filing. Thus, the filing date should be calendared or docketed so that you can ensure the USPTO has provided you with some correspondence or action within six months of the filing date. Similarly, if the application is filed based on an applicant's intent to use the mark in the future, the

Application for registration, per class (paper filing)	\$375
Application for registration, per class (electronic TEAS filing)	\$325
Application for registration, per class (electronic TEAS Plus filing)	\$275
Filing an amendment to allege use, per class	\$100
Filing a statement of use, per class	\$100
Filing a request for extension of time to file a statement of use, per class	\$150
Application for renewal, per class	\$400
Additional fee for late renewal or late Section 8 affidavit, per class	\$100
Issuing a new certificate of registration	\$100
Filing an amendment or correction to registration certificate	\$100
Filing Section 8 affidavit of use of mark, per class	\$100
Filing Section 15 affidavit to achieve incontestability, per class	\$200
Petition for cancellation, per class	\$300
Notice of opposition, per class	\$300
Dividing an application, per each new application created	\$100
Certified copy of registered mark	\$15
Certified copy of trademark file wrapper	\$50
Recording a trademark assignment (for first mark)	\$40
For subsequent marks in the same document	\$25 each

EXHIBIT 4-4 Schedule of USPTO Filing Fees (Trademark Matters)

filing date constitutes **constructive use** of the mark. For example, if an intent-to-use application is filed on June 1, 2011, and the mark is ultimately registered, the date for determining priority between conflicting parties is June 1, 2011, even though the mark may not have been actually used until December 1, 2011, and may not have achieved registration until February 1, 2012. Finally, if an applicant wishes to file an application for the mark in a foreign country that is a member of the Paris Convention (discussed in Chapter 8), it has six months from the filing date within which to do so and thereby claim the date of the filing in the United States.

Docketing Critical Dates

Most law firms and offices that do a significant amount of trademark work have sophisticated computer programs that automatically docket critical

dates. Such systems will automatically flag a file and provide notification that no action has been taken on an application within a certain period of time so the applicant may investigate the problem. Nevertheless, most firms (and some malpractice carriers) also require that trademark practitioners maintain their own dockets, whether by means of an independent computerized system such as the Google or Microsoft Outlook calendaring tools or a simple tickler file composed of index cards and divided into monthly categories, to serve as reminders of needed action in the coming months. The very nature of trademark work is deadline-sensitive. Failure to take certain actions on a timely basis may result in abandonment of a mark or application unless the delay was unintentional. Therefore, the utmost care must be taken to protect a client's interests. Develop a docketing system that works effectively and maintain it diligently. Failure to do so may be malpractice.

Initial Role of the U.S. Patent and Trademark Office: The File Wrapper and the Official Filing Receipt

When the USPTO receives a TEAS application, it creates an electronic file, usually referred to as the **file wrapper**, which is the official USPTO file, and it contains the application, drawing, specimens, and all communications with the USPTO. Documents in these electronic file wrappers can be viewed and downloaded using the USPTO's system called **Trademark Document Retrieval (TDR)**. Nearly all applications are available through TDR, and the USPTO is in the process of converting older paper files into digitized formats so they may be accessed via TDR. The USPTO no longer creates and maintains paper file copies of trademark applications and now relies exclusively on data submitted or captured electronically. Applications submitted electronically through TEAS are accessible nearly immediately through the USPTO's website.

Immediately after an electronic application is filed, the USPTO will issue an e-mail confirmation of filing.

The filing receipt will confirm the filing date of the application, provide a serial number, and confirm all details of the application, including dates of first use, basis for filing, applicant's name and address, the goods or services offered under the mark, and the international class. Because the filing receipt reflects what the USPTO believes to be the pertinent details of the application, it should be carefully scrutinized for correctness. If there are any errors, even minor spelling mistakes, the applicant should immediately inform the USPTO. Failure to notify the USPTO of some discrepancy may result in the certificate of registration including the erroneous information. Once the filing receipt or e-mail confirmation is received, the docketing system should be updated to ensure that additional action is taken on the application within six months thereafter.

THE EXAMINATION PROCESS

Examination Procedure

After the USPTO issues its e-mail confirmation, the application is assigned for review to an examining attorney. Many examining attorneys move into private practice after a few years with the USPTO. Examining attorneys are assigned to "law offices" within the USPTO, each of which has responsibility for certain types of applications. For example, all applications relating to computer programs may be assigned to Law Office 106, while all applications dealing with wines and spirits may be assigned to Law Office 114. Concentrating similar applications in a given law office allows examining attorneys to become expert with certain types of applications, thereby facilitating the registration process. It is the function of an examining attorney to review the application, search the USPTO files to determine if the mark applied for is confusingly similar to another, make a determination on whether the mark is registrable, and ultimately either refuse registration of the mark or approve it for publication. Examination is the least predictable stage of the prosecution process. Applications by the same party for identical or similar marks, called **companion applications**, are usually handled by the same examining attorney. Conversely, applications by different parties for conflicting marks, called **conflicting applications**, are not handled by the same examining attorney, although the actions of the examining attorneys should be consistent.

Office Actions and Refusals to Register Marks

Approximately three months after the application is filed, the examining attorney assigned to the application will issue a "first action" or **office action** regarding the application if there are any defects in the application. If there are no defects in a use-based

application, the USPTO will approve the application for publication in the *Official Gazette*. The office action is a written communication sent by the examining attorney to the applicant (or, more likely, to the applicant's attorney) that states that the mark has been refused registration and explains why registration has been refused. All office actions must be responded to within six months to avoid abandonment of the application. Most office actions are sent by e-mail. To monitor pending applications, either use TARR (by entering a serial number) or TESS, through the USPTO website.

Curing Informalities and Technical Defects in the Application. In many instances, the application may contain deficiencies that must be corrected before the application may be approved. For example, the applicant's name may be identified as "Lee Inc.," in the application itself and yet be signed by an officer on behalf of "Lee Co." The state of incorporation may need to be specified for a corporate applicant. The identification of goods or services may lack specificity, and the examining attorney may require clarification to the identification. In many instances, the office action suggests that the applicant telephone or e-mail the examining attorney to resolve the issue (within the six-month period for response) and often suggests a remedy for the defect. The applicant and the examining attorney are often able to resolve the issue in such a telephone or e-mail communication. Thereafter, the examining attorney will issue an **Examiner's Amendment** setting forth the agreed-upon correction or clarification, thereby eliminating the need for the applicant to file a formal written response to the office action. A use-based application will proceed to publication after the examiner's amendment has corrected any technical informality in the application. The USPTO encourages such telephonic and e-mail communications because they expedite the application process.

Substantive Refusals. In many instances, the refusal to register is not due to some minor or technical error in the application that can be readily corrected by an examiner's amendment but is due to a more significant or substantive defect or due to a statutory provision that would preclude registration. In these cases, the examining attorney will set forth the reason the mark has been refused registration. The applicant will then have six months to respond in writing to the office action and present arguments supporting registration. Some of the more common substantive or statutory refusals to register are as follows:

- The mark is immoral or scandalous.
- The mark is deceptive.
- The mark disparages a person or a national institution or displays the flag or insignia of a nation.
- The mark displays a portrait of a living person without his or her consent.
- The mark is primarily merely a surname.
- The mark is geographically deceptively misdescriptive.
- The mark is primarily merely descriptive.
- The mark is confusingly similar to another registered or applied-for mark at the USPTO.

Applicants who receive an office action refusing registration on one of these grounds generally submit written arguments to persuade the examining attorney to allow the mark for registration. Case law and other evidence may be cited. For example, if the mark is refused on the basis that it is primarily merely a surname, the applicant may submit telephone book or Internet directory evidence to show the name is so rare that consumers who encounter the mark would not perceive it to be primarily a surname. If a person's consent is needed, the applicant should secure it.

Refusals on the Basis of Descriptiveness. One of the most serious refusals occurs when the examining attorney refuses registration on the basis

that the mark is merely descriptive and is thus barred under 15 U.S.C. § 1052(e)(1). The applicant will then submit a response to the office action arguing that the mark is not descriptive. Common arguments asserted by the applicant are as follows:

- The applicant may argue that the mark is not descriptive but is rather suggestive and therefore entitled to registration. To support such an assertion, the applicant may cite marks in case law that have been found to be suggestive and analogize them to the mark at issue. The applicant may also conduct a search of USPTO records to locate other similar marks that were allowed to proceed to registration. These third-party registrations, however, are not conclusive. The USPTO may characterize the earlier allowed marks as mistakes that it need not repeat.
- The applicant may argue that the cases cited by the examining attorney in support of the refusal to register are inapplicable, and attempt to distinguish the present situation from that presented in the case law relied upon by the examining attorney.
- If the mark has been in commerce for five years, there is a presumption that it has acquired distinctiveness. In such a case, the USPTO will allow the applicant to claim distinctiveness under 15 U.S.C. § 1052(f) and the mark can proceed to registration. The wording for a claim of acquired distinctiveness is as follows:

The mark has become distinctive of Applicant's goods [or services] through the Applicant's substantially exclusive and continuous use in commerce for at least the five years immediately before the date of this statement.

- If the mark has not acquired distinctiveness through continuous use for five years, the applicant may attempt to introduce evidence to show the mark has acquired distinctiveness or

secondary meaning through its significant use, sales, and advertising such that consumers associate the mark with the applicant. The applicant typically submits evidence consisting of sales and advertising data, survey evidence, and declarations from customers and consumers who confirm they are familiar with the mark and recognize the applicant as the source of the goods offered under the mark.

If none of these arguments is successful, the applicant may be allowed to amend the application to seek registration on the Supplemental Register *if* use of the mark has begun. Applications based solely on intent to use cannot be transferred to the Supplemental Register until after the applicant has shown actual use of the mark, because registration of U.S.-based trademarks is dependent on use in commerce.

If only a portion of the mark is descriptive or generic, that portion may be *disclaimed*. The purpose of a **disclaimer** is to allow registration of a mark that includes nonregistrable matter. For example, in the mark BOLERO TASTY COFFEE (used in connection with coffee), the words *tasty coffee* would likely have to be disclaimed because they merely describe something about the goods offered under the mark. A disclaimer is an acknowledgment by an applicant that he or she does not claim exclusive rights in the matter disclaimed (in this case, the wording *tasty coffee*), apart from the mark as a whole. Disclaimers preserve the rights of other businesses to use needed terms such as *tasty* and *coffee*. Some marks, called **composite marks**, consist of both wording and design elements. If the wording in a composite mark is descriptive or generic, the applicant may have to disclaim exclusive rights to all of the wording, leaving the applicant with exclusive rights only to the design component. An applicant may not disclaim an entire mark.

A disclaimer does not affect one's common law rights; neither does it mean that the mark as a whole

is not protectable. In the hypothetical, use by another company of VOLERO TASTY COFFEE could likely be enjoined on the basis of confusing similarity; however, a mark such as SUNRISE TASTY COFFEE would likely be allowable, inasmuch as the marks can be distinguished on the basis of their nondescriptive components.

The proper wording for a disclaimer is as follows: “No claim is made to the exclusive right to use ‘tasty coffee’ apart from the mark as shown.”

(See Exhibit 4–2 for examples of disclaimers.)

Refusals on the Basis of Confusing Similarity. In addition to refusing to register a mark on the basis that it is merely descriptive, another substantive or statutory ground for refusal to register is that the mark applied for so resembles a mark registered or applied for with the USPTO that, when used in connection with the goods or services of the applicant, it would be likely to cause confusion, mistake, or to deceive consumers. 15 U.S.C. § 1052(d). In fact, a refusal on the basis of confusing similarity to other marks is the most common objection made by the USPTO to an application to register a mark.

In determining whether a mark applied for is confusingly similar to a prior registered or applied-for mark, a variety of factors, identified in *In re E. I. du Pont de Nemours & Co.*, 476 F.2d 1357 (C.C.P.A. 1973), are considered, including the following:

- The similarity of the marks in their entireties in regard to appearance, sound, connotation, and commercial impression;
- The similarity and nature of the goods or services offered under the respective marks;
- The similarity of the channels of trade in which the goods or services are offered, for example, whether the goods or services offered under the mark are offered through retail or wholesale channels of trade;
- The buyers to whom sales are made and the conditions of such sales, for example, whether purchases are made on impulse or after due care and deliberation;
- The fame of the prior mark (sales, advertising, length of use, and so forth);
- The number and nature of similar marks in use on similar goods or services; and
- The nature and extent of actual confusion.

The goods or services need not be identical for confusion to be found, as long as they are related in some manner. Thus, MARTIN’S for bread was held likely to be confused with MARTIN’S for cheese on the basis the marks were used in connection with related food products. *In re Martin’s Famous Pastry Shoppe, Inc.*, 748 F.2d 1565 (Fed. Cir. 1984). If the item is purchased by consumers on “impulse,” such as an inexpensive beverage, confusion will be more likely than if the item is expensive, is purchased by sophisticated consumers, and is purchased only after great thought and care. The USPTO does not use a mechanical approach in determining whether confusion is likely to occur; rather, an examination is made of all the factors. If there is any doubt about whether there is a likelihood of confusion, doubt will be resolved against the newcomer. Additional information relating to likelihood of confusion analysis is found in Chapter 6 in the discussion of trademark infringement. (See Exhibit 4–5 for a comparison of some marks alleged to be confusingly similar.)

An applicant whose mark is rejected on the basis of confusing similarity will attempt to overcome the refusal to register by citing case law and analogizing cases in which confusion was not found, submitting evidence showing that the goods are not in the same channels of trade and that they are offered to different or sophisticated purchasers, and by submitting copies of other registered marks that have been allowed to coexist.

Mark #1	Mark #2	Result
CONFIRM (for medical-related goods)	CONFIRMCELLS (for blood reagents)	Confusingly similar due to related goods
LAREDO (for land vehicles)	LAREDO (for pneumatic tires)	Confusingly similar due to related goods
LITTLE PLUMBER (for liquid drain opener)	LITTLE PLUMBER (for advertising services)	Not confusingly similar because goods/services not related
BIGG'S (for grocery and general merchandise store)	BIGGS (& DESIGN) (for furniture)	Confusingly similar due to related goods
GOLDEN GRIDDLE PANCAKE HOUSE (with "Golden Griddle" disclaimed) for restaurant services	GOLDEN GRIDDLE (for table syrup)	Confusingly similar due to related goods
CAREER IMAGE (STYLIZED) (for women's clothing and store services)	CREST CAREER IMAGES (for uniforms)	Confusingly similar due to related goods/services
TMM (for computer software)	TMS (for computer software)	Confusingly similar due to similarity in appearance
COBBLER'S OUTLET (for shoes)	CALIFORNIA COBBLERS (STYLIZED) (for shoes)	Not confusingly similar due to weakness of common element "COBBLERS"
BEST JEWELRY (& DESIGN) (for jewelry store services)	JEWELERS' BEST (for jewelry)	Not confusingly similar because marks create different commercial impression
TRUCOOL (for synthetic coolant)	TURCOOL (for cutting oil)	Confusingly similar due to similarity in appearance
SEILER'S (for smoked and cured meats)	SEILER'S (for catering services)	Confusingly similar due to appearance of marks and related goods and services

EXHIBIT 4–5 Comparison of Marks Alleged to be Confusingly Similar and Action Taken by USPTO and Courts

Alternatively, the applicant may contact the owner of the cited mark and seek a license to use the mark or seek its consent to coexistence and registration. The applicant may need to pay the prior user some amount of money to secure the consent. Although the USPTO is not bound to accept such a coexistence or consent agreement, generally the USPTO does so, believing that the owners of marks are in the best position to evaluate whether conflicts

might exist and that if they believe no confusion would result from coexistence of the marks, the USPTO should affirm their decision. See Chapter 6 for further discussion of consent agreements.

If there is a conflicting mark in a pending application, action on the application with the later filing date will be suspended until the mark in the conflicting application with the earlier filing date is either registered (in which case the later-filed application

will be refused) or abandoned (in which case the later-filed application can proceed to registration).

Responses to Office Actions. An applicant has six months to respond to an office action. Failure to respond within the appropriate time period will result in abandonment of the application unless the delay was unintentional (in which case an abandoned application may be revived if a petition to revive is filed within two months after notice of abandonment from the USPTO).

As soon as an office action is received, its response date should be docketed. The client should then be informed in writing of the basis for the USPTO's refusal to register the mark. The law firm typically recommends a course of action and provides an estimate of the costs and fees the client can expect to incur in responding to the office action along with some assessment of the likelihood of success. The IP professional should continue to monitor the matter to ensure the client provides appropriate and timely instructions so the law firm can respond to the office action.

In some instances, a second office action may be issued after the applicant's response to the initial office action. Ultimately, the application will either proceed to the next step (publication) or will be subject to a "final refusal." Once a final refusal has been issued, the applicant's only recourse is to comply with the examining attorney's requirements, request reconsideration by bringing new matter before the examining attorney, or appeal the refusal to the Trademark Trial and Appeal Board (TTAB). Adverse decisions of the TTAB are reviewable by the U.S. Court of Appeals for the Federal Circuit and then by the U.S. Supreme Court if it decides to take the case. The Federal Circuit can set aside USPTO findings only when the findings are arbitrary, capricious, an abuse of discretion, or unsupported by substantial evidence. *Dickinson v. Zurko*, 527 U.S. 150 (1999). As an alternative to filing an appeal with the Federal

Circuit, the applicant can initiate an action in federal district court where the issue of registrability of the mark will be determined *de novo* (literally, "anew").

Generally, an appeal may be taken to the TTAB for any final decision of an examining attorney. An appeal is taken by filing a notice of appeal and by paying the appeal fee of \$100 (per class) within six months of the mailing date of the action the party wishes to appeal.

An applicant who wishes to contest a refusal based on substance (such as a rejection of an application because the mark is merely descriptive) should file an appeal to the TTAB. If, however, the only issue in dispute is a question regarding the applicant's compliance with a technical provision of trademark rules, the applicant should file a petition to the Director rather than appeal.

For example, if a trademark application is refused on the basis that the mark is confusingly similar to that of another, an appeal should be taken to the TTAB. If a question arises as to whether a disclaimer was properly printed in standardized format, a petition to the Director should be filed.

POSTEXAMINATION PROCEDURE

Publication in the *Official Gazette*

Assuming the applicant responds satisfactorily to the office action, the examining attorney will approve the mark for publication in the weekly *Official Gazette* (usually called the *OG*; see Exhibit 4–6). The mark as applied for (wording, design, or some combination thereof) will be reproduced as the applicant set it forth in the drawing page together with an identification of the owner, a description of the mark, the goods or services offered under the mark, and the filing date and serial number of the application. The purpose of publication is to afford interested parties the opportunity to review the mark and oppose its registration, usually on the basis that the


	TM 996	OFFICIAL GAZETTE	OG Publication Date
Serial Number of Application	CLASS 30—(Continued). SN 85-005,940. MOLINOS VALLE DEL CIBAO, C POR A, SANTIAGO, DOMINICAN REP. FILED 4-5-2010.	CLASS 30—(Continued). SN 85-006,276. MOLINOS VALLE DEL CIBAO C POR A, SANTIAGO, DOMINICAN REP. FILED 4-5-2010.	MARCH 15, 2011
Applicant			
Filing Date			
Mark	<p>Tom Ton</p> <p>THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PARTICULAR FONT, STYLE, SIZE, OR COLOR. OWNER OF DOMINICAN REP REG. NO. 176409, DATED 9-30-2009, EXPIRES 9-30-2019. FOR FLOURS AND CEREAL-BASED MIXES FOR MAKING SWEET AND SALTED COOKIES (U.S. CL. 46). RAMONA ORTIGA, EXAMINING ATTORNEY</p>	 <p>OWNER OF DOMINICAN REP REG. NO. 51000, DATED 8-31-2009, EXPIRES 8-31-2019. THE COLOR(S) BLACK AND WHITE IS/ARE CLAIMED AS A FEATURE OF THE MARK. THE MARK CONSISTS OF THE WORD "SPONGGY" WRITTEN IN BLACK STYLIZED SCRIPT WITH THE TAIL OF THE LETTER "S" FORMING A PARTIAL BLACK UNDERLINED OF THE WORD. EACH LETTER HAS A WHITE BORDER AND WHITE HIGHLIGHTING. THE WORD RESTS UPON A BLACK STAR SHAPED DESIGN. THE WORDING "SPONGGY" HAS NO MEANING IN A FOREIGN LANGUAGE. FOR FLOURS AND CEREAL-BASED MIXES FOR MAKING SWEET AND SALTED COOKIES (U.S. CL. 46). KATHLEEN M. VANSTON, EXAMINING ATTORNEY</p>	
Standard Character Claim	<p>Miaa</p> <p>THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PARTICULAR FONT, STYLE, SIZE, OR COLOR. OWNER OF DOMINICAN REP REG. NO. 176418, DATED 9-30-2009, EXPIRES 9-30-2019. FOR FLOURS AND CEREAL-BASED MIXES FOR MAKING SWEET AND SALTED COOKIES (U.S. CL. 46). RAMONA ORTIGA, EXAMINING ATTORNEY</p>		
Goods Covered by Application	<p>SN 85-005,952. MOLINOS VALLE DEL CIBAO, C POR A, SANTIAGO, DOMINICAN REP. FILED 4-5-2010.</p> <p>SN 85-005,960. MOLINOS VALLE DEL CIBAO, C POR A, SANTIAGO, DOMINICAN REP. FILED 4-5-2010.</p>	<p>SN 85-006,612. BURGERMEISTER MANAGEMENT, INC., SAN FRANCISCO, CA. FILED 4-5-2010.</p>	
Claim of Color	<p>míaa</p> <p>OWNER OF DOMINICAN REP REG. NO. 176418, DATED 9-30-2009, EXPIRES 9-30-2019. THE COLOR(S) PURPLE, PINK IS/ARE CLAIMED AS A FEATURE OF THE MARK. THE MARK CONSISTS OF THE LETTERS "MIAA" APPEARING IN PURPLE, WITH AN PINK OVAL OVER THE "I". FOR FLOURS AND CEREAL-BASED MIXES FOR MAKING SWEET AND SALTED COOKIES (U.S. CL. 46). RAMONA ORTIGA, EXAMINING ATTORNEY</p>	<p>Veggie Meister</p> <p>THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PARTICULAR FONT, STYLE, SIZE, OR COLOR. NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "VEGGIE", APART FROM THE MARK AS SHOWN. THE ENGLISH TRANSLATION OF "MEISTER" IN THE MARK IS "MASTER". FOR SANDWICHES, NAMELY, VEGAN (U.S. CL. 46). ROBERT STRUCK, EXAMINING ATTORNEY</p>	
Description of Mark			Disclaimer

EXHIBIT 4-6 *Official Gazette*Source: http://www.uspto.gov/web/trademarks/tmog/20110315_OG.pdf

mark is confusingly similar to another mark. Opposition actions are discussed in Chapter 6. Marks on the Supplemental Register are not published for opposition, but are issued as registered marks on the date that they are printed in the *Official Gazette*.

A notice of opposition (or request for extension of time to oppose) must be filed with the TTAB within 30 days of publication of the mark in the *Official Gazette*. Extensions of time to oppose may be granted as follows:

- A first request for a 30-day extension will be granted without a showing of good cause. Alternatively, a first request for a 90-day extension will be granted upon a showing of good cause.
- If the first request was for 30 days, a second request for a 60-day extension will be granted upon a showing of good cause.
- After receiving extensions totaling 90 days, a final request for a 60-day extension will be granted if the trademark applicant consents or if there is a showing of extraordinary circumstances. The time for filing an opposition may not be extended beyond 180 days from the date of publication in the *Official Gazette*.

Once again, docketing of dates is critical. A law firm not only should docket the date of its own clients' applications (so it can confirm that no one has opposed the clients' marks and, thus, the marks will proceed to registration), but also should review the *Official Gazette* to search for marks that may conflict with clients' marks and then notify the clients so they can have the opportunity to oppose other applications.

Because thousands of marks are published in the *Official Gazette* each week, it is virtually impossible for a firm with an active trademark practice to devote the effort needed to reading each week's *Official Gazette*. Most law firms suggest their clients authorize one of the professional search firms (identified in Chapter 3) to conduct a **watch service** to

review the *Official Gazette* and notify the firm of potential conflicts on a timely basis so the law firm can then inform the client that a conflicting mark may need to be opposed. Watch services can also monitor all applications filed at the USPTO after a client's application so immediate action can be taken against a conflicting mark. The cost of the watch services is approximately \$450 per year per mark, although costs can be higher if several international classes need to be watched or if the mark includes unique design features. The 52 most recent issues of the *Official Gazette* are available online at the USPTO's website.

Intent-to-Use Applications and Statements of Use

If the application was based upon the applicant's actual use of the mark in commerce, the **actual use application** will proceed to registration after the publication period (assuming a notice of opposition is not filed). If the application was based on the applicant's intent to use the mark in commerce in the future, the mark cannot proceed to registration until actual use has been shown.

Thus, for intent-to-use (ITU) applications, after publication (and no opposition), the USPTO will issue a **Notice of Allowance**, notifying the applicant that the ITU application has been allowed and granting the applicant six months (which may be extended for five additional six-month periods, up to a total of three years) within which to commence use of the mark and submit a statement and specimen verifying such use and the dates of first use. For example, if an ITU application has been published for opposition (with no one filing an opposition) and a notice of allowance is issued on June 1, 2012, the applicant will have until December 1, 2012, to file its **Statement of Use** (together with a specimen). If use is not commenced by December 1, 2012, the applicant may request an additional six-month period by

alleging that it continues to have a bona fide intent to use the mark. Up to four additional six-month extensions may be granted if the applicant alleges its continued good-faith intent to use the mark and shows good cause for the extension, namely, ongoing efforts to make use of the mark in commerce, such as stating the additional time is needed to conduct market research and promotional activities.

Some applicants file a request for an extension of time to file a statement of use *with* a statement of use, sometimes called an “insurance” extension, for the purpose of securing additional time in case there are any deficiencies in the statement of use. Such a course of action may be well advised if the applicant believes that the statement of use might be rejected (e.g., the applicant may be concerned that the specimen submitted with the statement of use materially varies from the original drawing). Then if the statement of use is rejected, the applicant will have additional time to correct any deficiency.

Note that the first request for extension of time is granted automatically; subsequent extensions must show good cause why the extension should be granted. If no statement of use is submitted by June 1, 2015, the application will be deemed abandoned (unless the delay was unintentional). Filing fees of \$100 are required for a statement of use and \$150 for each request for extension of time to file a statement of use for each class of goods/services covered by the application. (See Appendix D, Form 2, Statement of Use, and Form 3, Request for Extension of Time to File Statement of Use.)

The statement of use verifies that the mark is in use in commerce, specifies the date of first use, and is accompanied by a specimen (label, packaging, and so forth for goods or promotional material for services) showing actual use of the mark. If the application was a combined application (e.g., for pens in I.C. 16 and clothing in I.C. 25), and the applicant can only show use in regard to goods in one class, the application can be divided by filing a formal **Request**

to Divide (with the appropriate fee), with one class proceeding to registration and one lagging behind in a separate application.

If use of a mark was actually commenced during the application process of an ITU application, the applicant may file an amendment to its original application (called an **Amendment to Allege Use**) alleging that use has occurred and providing a specimen showing such use. The only significant difference between an amendment to allege use and a statement of use is the time of filing. The amendment to allege use may be filed during the initial examination phase, whereas the statement of use is not filed until after the USPTO issues a notice of allowance. An amendment to allege use or statement of use filed after the examining attorney approves the application for publication and before a notice of allowance is issued will be rejected. The period within which these documents cannot be filed is called the **blackout period**.

Statements of use and amendments to allege use are usually filed electronically through TEAS, with a digitized image of the required specimen. Once a mark that is the subject of an ITU application achieves registration, the filing date of the application is deemed to be the date upon which the owner first used the mark. This “constructive use” date is important to the trademark owner because it will allow the owner to defeat an intervening user who may have actually used the mark before the ITU owner but after the ITU owner’s application filing date. For example, assume the following dates for an application by Alpha Co. for SUNVISION for skin care products.

- Intent to use application filed by Alpha for SUNVISION on February 1, 2011.
- Actual use by Beta Co. for SUNNY VISION for skin care products on June 1, 2011.
- Use-based application filed by Beta Co. for SUNNY VISION on July 1, 2011.

- Notice of allowance issued for SUNVISION on February 1, 2012.
- Statement of use filed by Alpha for SUNVISION on May 1, 2012, alleging actual use began on April 15, 2012.
- Registration issues for SUNVISION on August 1, 2012.

Given these dates, SUNVISION has priority over SUNNY VISION because once SUNVISION achieved registration, it was as if Alpha had actually used the mark on the date it filed its application, namely, February 1, 2011, a date prior to June 1, 2011, the date of Beta's actual first use of SUNNY VISION. See Exhibit 4–7 for timeline and Exhibit 4–8 for application checklist.

2/1/11	6/1/11	7/1/11	2/1/12	5/1/12	8/1/12
ITU application filed by Alpha for SUNVISION	Actual use by Beta of SUNNY VISION	Beta files application for SUNNY VISION	USPTO issues notice of allowance for SUNVISION	Alpha files statement of use for SUNVISION alleging date of first use of 4/15/12	Registration issues for SUNVISION. Alpha has priority due to date of constructive use of 2/1/11

EXHIBIT 4–7 Timeline for ITU Application

APPLICATION CHECKLIST

An application for trademark registration must include the following:

- Written application with the following elements:
 - Applicant's name;
 - Applicant's legal entity (individual, corporation, and so forth) and identification of country of which applicant is citizen or country or state of business organization;
 - Applicant's address;
 - Basis for use of mark, namely, a statement that applicant has used the mark (and, if so, dates of first use and first use in commerce) or statement that applicant has bona fide intent to use the mark in the future;
 - Description of mark or statement that mark is in standard characters;
 - Identification of goods and services offered under the mark; and identification of international class (if known by applicant)
- Declaration by applicant (or person authorized by applicant) and signature
- One specimen for each international class
- Drawing of mark
- Appropriate filing fee for each class

EXHIBIT 4–8 Trademark Application Checklist

Abandonment and Revival of Applications

Trademark applications are deemed abandoned by the USPTO if a timely response is not made to an office action or to a notice of allowance, and the USPTO will issue a formal notice of abandonment to the applicant. The USPTO, however, allows for revival of abandoned applications if a petition to revive (with the appropriate fee) is filed within two months of the date of the notice of abandonment. The applicant's petition must state that the delay in responding to the office action or notice of allowance was unintentional.

Generally, it is not necessary to explain the circumstances that cause the unintentional delay. If an application was inadvertently abandoned due to a USPTO error, an applicant may file a request to reinstate the application, instead of a formal petition to revive. For example, if the applicant can show e-mail confirmation that its response to an office action was filed through TEAS, a request to reinstate the application should be made. No fees are charged for a request for reinstatement.

An application can also be expressly abandoned, as when the applicant simply decides it does not wish to pursue registration.

REGISTRATION

For a use-based application, a registration will issue about 12 weeks after publication in the *Official Gazette* if no notice of opposition is filed to the application. For an ITU application, registration will occur after publication in the *Official Gazette*, notice of allowance of mark, and submission of the statement of use and requisite specimen and fee. The application process for use-based applications can take 10 to 18 months or longer, and the process for ITU applications can take from 13 to 42 months, or longer.

Eventually, however, the USPTO will issue a **Certificate of Registration** for the mark. The term of the registration is presently 10 years from the date the mark is registered (for registrations issued before November 16, 1989, the term was 20 years). The certificate will include all of the pertinent information about the mark and the owner and will set forth a registration number and a registration date. The mark as applied for will be reproduced. The law firm should carefully review the certificate and request a correction of any errors. Once the mark is registered, the owner (now called the **registrant**) may use any of the following registration notices in connection with the mark (assume the mark is SUNVISION):

- SUNVISION Registered in U.S. Patent and Trademark Office
- SUNVISION Reg. U.S. Pat. & Tm. Off.
- SUNVISION® (the letter *R* enclosed in a circle is the most common notice)

The federal registration symbol or language cannot be used with a mark unless it has been registered with the USPTO. Until that time, trademark owners and applicants often use the designation “TM” (for trademark) or “SM” (for service mark) placed alongside the mark to notify others the owner claims rights in the mark, although these are not official symbols. A registrant is not required to use any registration notice; however, in an infringement suit based on the mark, no monetary damages can be recovered by the registrant unless the defendant had actual notice of the registration. Using the registration notice provides such actual notice so that the registrant can later recover damages for infringement of the mark.

Once the law firm receives the certificate of registration, it will forward the certificate to the client along with pertinent information about monitoring the mark, using the registration notice, and pertinent dates to maintain the mark. Once again, the law firm must be certain to docket the critical dates to avoid abandonment of the registration. For example,

ETHICS
EDGECOMPUTER
LITERACY

Part of the ethical duty of competent representation owed to a client is the duty to provide legal services as efficiently and cost-effectively as possible. Thus, all IP professionals should be familiar with the USPTO's website and its electronic tools for searching, filing documents, and checking status. Practitioners who engage in volume trademark work for clients can save their clients a great deal of money by filing trademark applications through TEAS or TEAS Plus. Take advantage of USPTO website tutorials, take training classes, or seek advice from colleagues to make sure clients are provided with cost-effective and efficient representation through all stages of trademark prosecution.

between the fifth and sixth years after registration, and within the year before the end of every 10-year period after the registration date, the registrant must file a continued use affidavit with the USPTO verifying the mark is still in use or the registration will be canceled (to clear the USPTO files of **deadwood** and allow unused marks to be used by others). Additionally, the registration must be renewed at the end of each 10-year period following the registration date. The affidavit of continuing use and renewal document are usually filed electronically through TEAS with a digitized image of the required specimen. See Chapter 5 for additional information about these post-registration requirements to maintain a trademark in force.

See Exhibit 4–9 for a Certificate of Registration, and see Exhibit 4–10 for a trademark prosecution flowchart that shows each step of the prosecution process.

The U.S. Patent and Trademark Office's TEAS Monitoring System

The USPTO's TEAS system has been remarkably successful; about 97 percent of all trademark applications are filed electronically using TEAS. Following are some of the documents that may be submitted through TEAS:

- Applications for registration of marks
- Response forms (such as responses to office actions)
- Amendments to allege use
- Statements of use
- Requests for extensions of time to file a statement of use
- Affidavits of continued use
- Affidavits of incontestability
- Combined affidavits
- Applications to renew trademark registrations
- Assignment forms
- Requests to divide
- Notices of change of correspondence or owner's address
- Petitions to revive abandoned applications
- Appointment or revocation of attorney or domestic representative
- Withdrawal of attorney in pending application
- Requests for express abandonment (withdrawal) of applications

The advantages of using TEAS include the following:

- Documents may be filed 24 hours a day, seven days a week, making it possible to receive a filing date on days the USPTO is closed and

United States of America

United States Patent and Trademark Office



Reg. No. 3,928,347

Registered Mar. 8, 2011

Int. Cl.: 35

SERVICE MARK

PRINCIPAL REGISTER

THE TOY TANK, LLC (OHIO LIMITED LIABILITY COMPANY)
24647 CEDAR ROAD
LYNDHURST, OH 44124

FOR: RETAIL TOY STORES, IN CLASS 35 (U.S. CLS. 100, 101 AND 102).

FIRST USE 5-15-2010; IN COMMERCE 5-15-2010.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "TOY", APART FROM THE MARK AS SHOWN.

THE COLOR(S) ORANGE, LIGHT BLUE, GREEN, PURPLE, RED, DARK BLUE, YELLOW, BLACK AND WHITE IS/ARE CLAIMED AS A FEATURE OF THE MARK.

THE MARK CONSISTS OF A DRAWING OF A FISH BOWL OUTLINED IN BLACK, WITH A WHITE CIRCULAR OPENING AND WHITE OPEN SPACE AT THE TOP THEREOF AND WITH LIGHT BLUE WATER AND FIVE FISH SWIMMING IN THE BOWL. THE FISH COLORS ARE (STARTING CLOCKWISE AT 1 O'CLOCK) YELLOW, DARK BLUE, RED, PURPLE AND GREEN. THE FISH ARE ALL OUTLINED IN BLACK. THE WORDS "THE TOY TANK" APPEAR WITHIN THE FISH TANK AND THE WORDS ARE ORANGE.

SER. NO. 85-081,366, FILED 7-9-2010.

BRIAN CALLAGHAN, EXAMINING ATTORNEY



David J. Kappas

Director of the United States Patent and Trademark Office

EXHIBIT 4-9 Trademark Registration Certificate

Source: http://www.uspto.gov/web/trademarks/tmog/20110315_OG.pdf

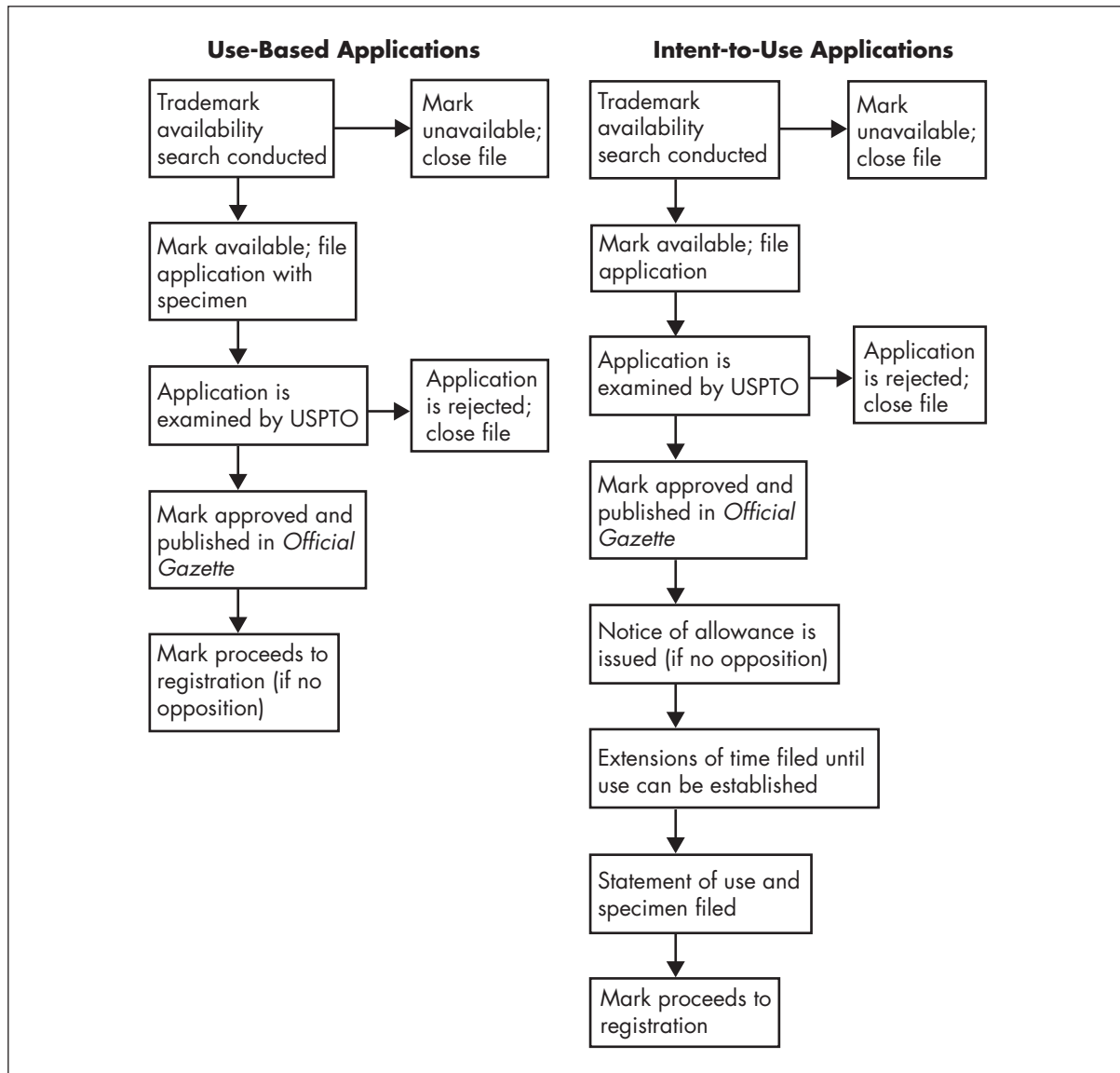


EXHIBIT 4-10 Trademark Prosecution Flowchart

extending the time for filing any document until midnight (EST).

- When a document is filed electronically, the USPTO receives it within seconds after filing, and immediately issues a confirmation of filing

via e-mail that includes the date of receipt and a summary of the submission. This “success screen” confirmation is evidence of filing should any question arise as to the filing date of the document.

- Electronic filing creates an automatic entry of receipt of this filing into the USPTO's automated system, helping to avoid abandonment.
- Applications filed electronically are less expensive and are examined much faster than their paper counterparts.

THE U.S. PATENT AND TRADEMARK OFFICE'S TARR MONITORING SYSTEM

Once you receive a filing receipt or e-mail confirmation containing the serial number of your application, you may check on the status of your application

through the Trademark Application and Registration Retrieval (TARR) online database on the USPTO's website at <http://tarr.uspto.gov>. TARR can also be used to check the status of any registered mark. If you do not have access to the Internet, you can call the Trademark Assistance Center at 1-800-786-9199 (or 571-272-9250 if you live in Northern Virginia) to request a status check. Applicants should check on the status of their pending applications at least every six months.

TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA

- The public initiates more than one million queries per month through TESS (the online trademark search system).
- The top five trademark applicants in 2011 were Johnson & Johnson, Mattel, Inc., LG Electronics, Inc., Novartis AG, and Disney Enterprises.
- In 2011, the USPTO issued more than 170,000 registrations on the Principal Register and just a little more than 7,600 registrations on the Supplemental Register.
- In January 2007, the one-millionth trademark application was filed electronically with the USPTO via TEAS.
- In 2006, the average time it took for the USPTO to process an application (from filing to registration) was 15 months; by 2011, the average processing time had dropped to 10 months.
- Nearly 150 countries, including the United States, use the International Classification system (classifying goods into 34 classes and services into 11 classes) administered by WIPO.

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CHAPTER SUMMARY

After searching and clearance of a mark for availability, an application should be filed with the USPTO for registration of the mark. If the mark has actually been used in interstate commerce, the application should be accompanied by a specimen showing how the mark is actually used.

The application will be carefully reviewed by an examining attorney to determine if it meets the statutory requirements and whether any marks similar to

the proposed mark have been registered or applied for in the same or related industries. The examining attorney's objections are enumerated in an office action. An applicant has six months to respond to an office action. The process continues until either the application is finally refused or it is allowed for publication in the *Official Gazette*, a weekly government publication. Individuals who believe they may be injured by the proposed registration have a statutory period within which to oppose registration of the mark. If no opposition is filed, the mark will proceed to registration.

If the applicant has not yet engaged in actual use of the mark, the procedure is essentially the same. The application will be reviewed by an examining attorney, who will approve it, publish it for opposition in the *Official Gazette*, and issue a notice of allowance. The applicant will then have six months to begin use of the mark in commerce and file a statement of use verifying such use with an actual specimen attached. Extensions of time may be granted, up to a total of 36 months. After review of the statement of use and specimen, the mark will be registered. Registration is a complex and lengthy process even if there are only minimal problems.

CASE ILLUSTRATION

BONA FIDE INTENT TO USE

Case: *Honda Motor Co. v. Winkelman*, 90 U.S.P.Q.2d 1660 (T.T.A.B. 2009)

Facts: Honda opposed registration of the mark V.I.C., which the applicant alleged it had a bona fide intent to use for motor vehicles (and related goods). Honda alleged that the applicant did not have a bona fide intent to use the mark V.I.C. at the time it filed its application. Applicant had filed an intent-to-use application for V.I.C. based on its German registration for the mark.

Holding: The TTAB refused to register V.I.C. Mere statements of subjective intentions, without more, are insufficient to establish an applicant's bona fide intent to use a mark. Applicant's lack of documentary evidence (such as business or marketing plans, and the like) shows applicant lacked a bona fide intent to use the mark in commerce at the time it filed its application. Applicant must possess both an ability and a willingness to use the mark at the time it files an application. Use in Germany is not evidence of intent to use the mark in the United States.

Note: Although this case involved an application by a foreign applicant under § 44(e) of the Lanham Act, the TTAB specifically noted that it uses the same objective good faith analysis to determine bona fide intent to use under § 44 as it uses in determining whether ITU applications by U.S. applicants have the requisite bona fide intent to use a mark in commerce.

CASE STUDY AND ACTIVITIES

Case Study: For the past two years, Holiday has operated various programs on board for its younger passengers. Called “Holiday Kids Camp,” the programs feature arts, sports, and other leisure activities. Holiday also offers T-shirts, hats, mugs, and wristbands with the wording “Holiday Kids Camp” on those items. Holiday would like to file trademark applications for “Holiday Kids Camp” for these various goods and services.

Activities: You may need to access the USPTO website or the TMEP to answer some of these questions.

- Calculate the filing fees Holiday will incur if it files trademark applications for its mark in connection with all of the goods and services, assuming Holiday will file TEAS applications.
- Draft an appropriate identification of the goods and services offered under the mark, and identify the international classes applicable to the mark.

Indicate what objections, if any, the USPTO may have to the application and how you might overcome such objections.

ROLE OF PARALEGAL

Paralegals typically have significant responsibility in the prosecution stage of a trademark application. In many law offices, primary responsibility may be assigned to paralegals, with attorney involvement limited to supervising and advising the paralegal and providing advice to the client on suggested strategies to overcome refusals to register. Among the many tasks IP professionals assume responsibility for are the following:

- Gathering information from clients to assist in preparing applications;
- Preparing the trademark application, including drafting the identification of goods and services offered under the mark and a description of the mark (if it is not in standard character form);
- Reviewing the specimen that supports use of a mark for consistency and proper display of mark;
- Filing the application and confirming same to client;
- Reviewing the USPTO’s e-mail confirmation of filing;
- Reviewing office actions and reporting same to client;
- Performing research for responses to office actions;
- Assisting in preparing responses to office actions;
- Reviewing the *Official Gazette* to ensure client’s mark is accurately reproduced;
- Reviewing notice of allowance for ITU applications;
- Preparing statement of use and gathering specimen for ITU applications (or preparing requests for extensions of time to file statement of use);
- Reviewing certificate of registration for accuracy;
- Assisting in reporting registration to client;
- Docketing all critical dates throughout the prosecution process;
- Monitoring the progress of the application;

INTERNET RESOURCES

USPTO website:	http://www.uspto.gov
Trademark Manual of Examining Procedure (TMEP):	http://tess2.uspto.gov/tmdb/tmep
USPTO's Acceptable Identification of Goods and Services Manual:	http://tess2.uspto.gov/netahhtml/tidm.html
TEAS information and forms:	http://www.uspto.gov/teas/index.html
<i>Official Gazette</i> :	http://www.uspto.gov (access USPTO website, review "Popular Links," and select " <i>Official Gazette</i> for Trademarks" for online access to last 52 issues of the <i>Official Gazette</i>)
General trademark information:	http://www.megalaw.com http://www.ggmark.com http://www.ipmall.info (intellectual property resource website offered by Franklin Pierce Center for IP)

DISCUSSION QUESTIONS

1. Would an identification of "clothing, such as hats and gloves" be acceptable to the USPTO? Discuss.
2. Describe the type of specimen that would support use of the following marks:
 - DARE (for perfume)
 - EDGE (for soft drinks)
 - SECURA (for insurance services)
3. Assume that your client's mark is published in the *Official Gazette* on March 10. What should you do to monitor the progress of the application?
4. Assume that a Notice of Allowance is issued on February 8 for a mark that is the subject of an ITU application. Discuss the deadlines applicable to the mark to ensure the application is not abandoned.
5. Assume that the owner of the mark MOUNTAIN COFFEE (for coffee beans) disclaimed "Coffee." Later users have applied for the marks CAFFE DE MOUNTAIN and MILLENNIUM COFFEE for coffee beans. Discuss whether the marks are confusingly similar.

USING INTERNET RESOURCES

1. Use the USPTO's website and identify the owner of Trademark Registration No. 3,665,961.
2. Use TMEP or the USPTO's Acceptable Identification of Goods and Services and indicate the appropriate International Class for the following goods and services:
 - Electric blanket
 - Tea pot

Electric toothbrush
Health club services
Spa services
Acupuncture needles

3. Use the USPTO's website and locate the mark RELAX 100. Is the mark a special form or standard character mark?
4. Use the USPTO's website and locate Trademark Registration 3,710,619, and answer the following questions (using TDR):
 - a. Review the Office Action issued October 6, 2006. Briefly, what objections were made to the application?
 - b. When was the Notice of Allowance issued for this mark?
 - c. Review the Statement of Use filed for the application. What dates of first use were claimed?
 - d. Describe the specimen submitted to support use of the mark.
 - e. Review the registration certificate. When was the application filed and when was the registration issued?
5. Use the "New User" Search form on the USPTO website. Do you think you could secure a registration for the mark ORANGERIE for perfume? Discuss fully.
6. Locate Trademark Registration No. 3,884,406.
 - a. What is the mark?
 - b. Use TDR and locate the Notice of Pseudo Mark. What are the pseudo marks for this mark?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms,
Chapter Resources, and additional information.



CHAPTER 5

Postregistration Procedures, Trademark Maintenance, and Transfer of Rights to Marks

CHAPTER OVERVIEW

The Lanham Act imposes various requirements on registrants after registration of marks to ensure that only marks in use remain on the registers. Thus, registrants must file an affidavit or declaration between years five and six after registration and in the year before the end of each successive 10-year period after registration to allege continued use of the mark. A registrant must also file an application for renewal within one year before the end of the initial registration term of 10 years and every 10 years thereafter. Failure to file the appropriate documents will result in cancellation of the registration for a mark.

Rights to marks can be lost by other means as well, primarily when the mark becomes generic or when the mark is abandoned by nonuse. Trademark owners often institute trademark use and compliance policies to ensure marks are not lost through genericide or abandonment.

Because a trademark is a form of property, it can be transferred or assigned to another if the goodwill symbolized by the mark is assigned with it. Similarly, a mark may be licensed to another party to use, as long as the trademark owner controls the nature and quality of the goods or services offered by the licensee.

THE AFFIDAVIT OF USE

Background

Although a registration on either the Principal or Supplemental Register is valid for 10 years, between years five and six after a registration is issued, and in the year before the end of each 10-year period after registration, the registrant is required to file an **Affidavit** (or *Declaration*) **of Use** (sometimes called an Affidavit or Declaration of Continued Use) with the USPTO, verifying that the mark is still in use in commerce in connection with the goods or services identified in the registration. Failure to submit the affidavit of use, called a “Section 8 affidavit,” within the appropriate deadline (or within a six-month grace period) will lead to cancellation of the registration. Requiring registrants to notify the USPTO that marks are still in use allows the USPTO to clear its files of deadwood, making unused marks available for others. Nevertheless, the mark may still be used by its owner, who will continue to have common law rights to the mark even though the federal registration for the mark has been canceled.

If the registration covers goods or services in several classes, the registrant must verify that the mark is in use in connection with all of the goods or services. If the mark is in use with regard to some items but not for others, the registrant must indicate such. The registration will be canceled as to any goods for which the mark is not in use. The USPTO filing fee is \$100 per class of goods or services. Filing during the grace period results in additional fees of \$100 (per class). If the Section 8 affidavit is not filed before the expiration of the grace period, the registration will be canceled. Most documents are filed electronically through TEAS.

If, upon examination, the USPTO determines that the affidavit or declaration is acceptable, it will send a notice of acceptance. If the affidavit or declaration is not acceptable, the USPTO will issue

an office action stating the reasons for refusal. The owner must file a response to a refusal within six months of the issuance date of the office action, or before the end of the relevant filing period, whichever is later.

Changes in Ownership of the Mark

The Section 8 affidavit must be filed by the owner of the registration. Often, marks are transferred or assigned to new owners who fail to notify the USPTO of the change in ownership. Although the Section 8 affidavit is then filed by the new owner, USPTO records may continue to reflect the original registrant. In such cases, the Section 8 affidavit is refused until the appropriate changes are made to the USPTO records showing proper continuity of title, called the **chain of title**, to the party now filing the Section 8 affidavit. Even a change in the state of incorporation is a change of legal entity. Thus, if a Virginia corporation dissolves its status in Virginia so it can become a Delaware corporation, unless the USPTO has received formal notification of such change, as well as documentary evidence (such as copies of the Delaware incorporation documents), a Section 8 affidavit will not be accepted.

Changes in the Mark

When filing the affidavit, the owner must supply a specimen showing the mark as it is presently used for each class of goods or services identified in the registration. Thus, if the mark is used in connection with coffee creamer in I.C. 29 and coffee in I.C. 30, a specimen (generally, digitized images in .jpg or .pdf format of labels, tags, packaging materials, or containers) for each class must be provided. A single specimen may support use in multiple classes. If the mark as presently used differs from the mark as registered, the USPTO must determine whether the change is material. If the change is determined to be a material alteration, the Section 8 affidavit will be refused.

Because trademarks evolve over time (e.g., consider the periodic updating of the BETTY CROCKER® portrait mark and the TACO BELL bell design), alterations in marks are common. The USPTO will review the original mark as registered and compare it with the current specimen; if they are substantially the same, the affidavit will be accepted. A material alteration will result in a refusal on the basis that the mark currently in use is a new mark and that the registered mark is no longer in use. Generally, a mere pluralization in wording or a slight change in nonessential background design may be acceptable. Thus, if wording in a mark appears in a different typeface or script, it will likely be accepted. The addition of wording or design elements, however, will likely result in a refusal, requiring the registrant to file a new application and begin the registration process anew.

If the USPTO agrees that a change is not material and accepts the Section 8 affidavit, the registrant will usually be encouraged to amend the registration so it conforms to the mark as presently used.

If the registered mark is not in use in commerce, the owner may provide facts to the USPTO showing that nonuse is excusable due to special circumstances rather than any intent to abandon the mark. The owner must also state the date use of the mark stopped and when it is expected to resume. Merely stating that the applicant does not intend to abandon the mark is not sufficient. Additionally, reduced demand for the product or service does not excuse nonuse; ordinary economic or social conditions that result in nonuse of the mark cannot be excused, because these are exactly the types of marks the USPTO wants to eliminate. On the other hand, if there is some governmental regulation that precludes the owner from using the mark (e.g., a trade embargo against the sale of insecticides or certain chemicals), nonuse would be acceptable. Similarly, if the mark is temporarily not being used because of sale of a business, plant retooling (and production is scheduled to resume at some point), fire, illness, or

other catastrophe, the nonuse might be excused. As soon as the external cause passes, the owner must resume use within a reasonable amount of time. Finally, if sales of a product are sporadic because the product is so expensive that few sales are customary in the particular industry, such is excusable nonuse.

THE AFFIDAVIT OF INCONTESTABILITY

Section 15 of the Trademark Act permits owners of registrations on the Principal Register to file affidavits whereby the right to use the registered marks for the goods or services set forth in the affidavit becomes **incontestable**. A Section 15 affidavit, also called an **Affidavit of Incontestability**, may not be filed until the mark has been in continuous use in commerce for at least five consecutive years after the date of registration. Thus, the Section 15 affidavit is often combined with the first Section 8 affidavit in one submission to the USPTO. The filing fee for the Section 15 affidavit is \$200 per class of goods or services identified in the registration. Most documents are filed electronically through TEAS.

The benefit to filing a Section 15 affidavit is that it significantly reduces the challenges that may be made to a mark. Generally, a mark that is **incontestable** cannot be attacked unless it has become generic, has been abandoned, is being used to misrepresent the source of goods or services, is functional, or was procured by fraud. Although **incontestability** does not preclude all challenges to a mark, it does preclude two key challenges: that the mark is merely descriptive or that it is confusingly similar to a mark owned by a prior user.

In addition to verifying that the mark has been in continuous use for the five-year period, the Section 15 affidavit must state that there has been no final decision adverse to the registrant's claim of ownership of the mark, or to the registrant's right to register the mark, or to keep the mark on the

Principal Register. The affidavit must also state that there is no proceeding involving these rights pending in the USPTO or any court. The USPTO does not determine whether the mark is actually incontestable; it merely notifies the registrant that the document has been filed. A court may later be called on to determine whether the mark is, in fact, incontestable.

No registrant is required to file a Section 15 affidavit; however, for obvious reasons, if the mark has been in continuous use for at least five years and satisfies the other conditions, a registrant should be strongly encouraged to do so to immunize the mark from various challenges. Only marks registered on the Principal Register (not the Supplemental Register) may become incontestable under Section 15. (See Appendix D, Form 4, for a combined affidavit under Sections 8 and 15.)

RENEWAL OF REGISTRATIONS

Any trademark registration issued after the Trademark Law Revision Act (namely, November 16, 1989) has a duration of 10 years. Before that date, registrations were valid for 20 years. Within one year before expiration of each pertinent period, the registrant must renew the registration or it will be automatically canceled (although common law rights to the mark may still exist if the mark is in use). The new **renewal** period for all marks is 10 years. Although the application for renewal (often called a “Section 9 renewal application”) must be filed within a one-year period before each expiration date, there is a grace period of six months following the expiration of a registration during which an application for renewal may be filed. For example, for a registration issued November 1, 2010, the first application for renewal can be filed as early as November 1, 2019, and as late as November 1, 2020, before entering the six-month grace period. The filing fee for an application for renewal is \$400 per class of goods or services. Filing during the grace period results in additional

fees of \$100 per class. If the renewal application is not filed before the end of the grace period, the registration will expire. The Section 8 affidavit required every 10 years to demonstrate continued use of the mark can be (and usually is) combined with the renewal application in a single document filed every 10 years. The form for the combined filing is available through TEAS. If the renewal application is not acceptable, the USPTO will notify the registrant and state its reasons (in an office action) for rejecting the application to renew the registration. The registrant’s response to the office action is due within six months (or before the expiration date of the registration, whichever is later).

The requirements previously discussed for Section 8 affidavits (filed between years five and six after registration and every 10 years after registration) and applications for renewal are somewhat similar.

- The document should be filed by the owner of the mark. A registration will be renewed in the name of a new owner only if that new owner has recorded the appropriate assignment or other document with the USPTO.
- If the renewal application lists only some of the goods/services in the registration, it will be presumed that the renewal is sought for only the goods/services listed (and the goods/services omitted from the renewal application will be omitted from the registration).

No specimen is required, and there is no requirement of showing that any nonuse is due to special circumstances that excuse nonuse, generally because a specimen or showing of excusable nonuse is covered by Section 8 affidavits of continuing use, usually filed at the same time and in the same document as the renewal application under Section 9. (See Appendix D, Form 5, Application for Renewal of Trademark Registration Combined with Declaration of Use under Section 8 of Lanham Act.) (See Exhibit 5–1 for chart showing due dates for postregistration documents.)

Document	Statutory Requirement	Due Date for EXPLORE® (registered 6/01/10)	Grace Period	Specimen Needed
<i>Section 8 Affidavit of Continued Use</i>	Due between fifth and sixth year after registration and within the year before the end of every 10-year period	Due between 6/01/15 and 6/01/16; due between 6/01/19 and 6/01/20 (and every 10 years thereafter)	Yes (six-month grace period)	One specimen needed
<i>Section 15 Affidavit of Incontestability</i>	Filing is optional; affidavit may be filed only after mark is in use in commerce for at least five consecutive years (for any five-year period)	May be filed at any time after 6/01/15	No grace period is needed because Section 15 affidavit can be filed at any time after five years of consecutive use	No
<i>Section 9 Application for Renewal</i>	Must be filed within one year before 10-year anniversary of registration and every 10 years thereafter	Renewal can be filed between 6/01/19 and 6/01/20 and every 10 years thereafter	Yes (six-month grace period)	No (specimen not required because Section 9 renewal application is usually filed with Section 8 affidavit, which is accompanied by specimen)

EXHIBIT 5–1 Dates for Maintenance of Trademarks

DOCKETING REQUIREMENTS

As discussed, certain actions must be taken to maintain a trademark or service mark registration. Failure to take the appropriate action in a timely fashion will result in cancellation or expiration of a registration. Although an owner can petition the Director to review refusals of Section 8 affidavits and applications for renewal, such refusals are seldom reversed, and the decision of the Director is final (unless the registrant appeals to the U.S. Court of Appeals for the Federal Circuit within two months). The registration will then be canceled.

Because cancellation is such an extreme result, the utmost care must be given to docketing critical dates. Although many IP professionals maintain their own docketing systems, others use the services of one of the professional search firms (identified in Chapter 3) to docket these critical dates. Because ownership of companies is often in flux, marks evolve, and contact between the law firm and the registrant may have been intermittent in the years following registration, trademark maintenance (namely, handling affidavits of use under Section 8, affidavits of incontestability under Section 15, and applications for renewal under Section 9) can be difficult and time-consuming.



DOCKETING DUTIES

Although a statement noting the requirement for filing the Section 8 affidavits of use and renewal documents is noted on each certificate of trademark registration, this is the only notice that the USPTO provides regarding these requirements. The USPTO does not provide any reminders of the due dates for these critical documents. Thus, failure to calendar the due dates, grace periods, and so forth may likely be malpractice. Use computerized calendaring systems such as Microsoft's OUTLOOK® computer program, Google's free online calendar, conventional calendars, or any other system that works for you. To calculate dates, use <http://www.timeanddate.com>.

LOSS OF TRADEMARK RIGHTS

Although registrations can be canceled due to failure to file appropriate documents with the USPTO, as discussed earlier, rights to marks can also be forfeited due to **abandonment** of marks, failure to protect marks, or improper assignment or licensing of the mark.

The Lanham Act (15 U.S.C. § 1127) provides that a mark will be deemed to be abandoned when either of the following occurs:

- The mark has become a generic name; or
- Use of the mark has been discontinued with intent not to resume use. Nonuse for three consecutive years is prima facie evidence of abandonment.

Genericide

As discussed in Chapter 2, a mark can become generic (referred to as **genericide**) when consumers begin to call the product or service offered under the mark by the mark. Examples of once-valid marks that have become generic terms are *aspirin*,

yo-yo, *cellophane*, *thermos*, and *escalator*. Once a mark becomes generic, it may be used by anyone. XEROX Corporation has always been worried that its famous mark would become generic due to consumers' misuse of the mark in saying, "I'm going to make a xerox of this document." XEROX Corporation has therefore expended substantial amounts of money in attempting to ensure consumers use the mark correctly by consistently saying in advertising copy, "XEROX® brand copiers are..." Similarly, Kimberly-Clark's promotional materials always refer to "KLEENEX® brand tissues" to ensure the mark does not become generic through consumers saying, "I need a kleenex."

Similarly, although ROLLERBLADE® is a registered trademark for in-line skates, it is in danger of becoming generic due to consumer misuse, as in "Let's go rollerblading" or "I need a new pair of rollerblades." Such use of a trademark as if it is the actual name for the product can cause a loss of trademark rights. Thus, although owners of marks want consumers to know and recognize their marks, the danger of a mark becoming too popular is that it can be misused, leading to genericide.

In mid-2006, *The Washington Post* noted that the word “Google” had been added to *Merriam-Webster’s Collegiate Dictionary*, and questioned whether the term had become generic. Within weeks, trademark counsel for Google Inc. wrote the newspaper, warning that the *Post*’s characterization might constitute genericide, and providing a list of appropriate and inappropriate uses of GOOGLE®. Similarly, Adobe Systems Inc. warns users not to use the term “photoshopped,” but rather to use the phrase “ADOBE® PHOTOSHOP® software.” In sum, marks that become generic are victims of their own success, as consumers become so familiar with a company’s goods that they use the trademark as the name of a kind of product or service.

Abandonment by Nonuse

The more common means by which a mark becomes abandoned is through nonuse. One of the most famous trademark doctrines is “use it or lose it.” Mere cessation of use is insufficient; the nonuse must be coupled with an intent not to resume use for abandonment to occur. There is a presumption that a mark has been abandoned if it has not been used for three years. 15 U.S.C. § 1127. Once a party can demonstrate such nonuse for three years, the trademark owner has the burden of rebutting the presumption of abandonment by proving that mark has not been abandoned (either by producing evidence of actual use during the relevant period or its intent to resume use). When a mark is abandoned, it returns to the public domain and is free for anyone to use and claim as its owner.

In determining whether abandonment due to nonuse has occurred, courts have concluded that “intent to resume use” means an intent to resume use within the reasonably foreseeable future. In one famous case, CBS stopped using the AMOS

AND ANDY mark due to civil rights objections. When a third party began using the mark 20 years later, CBS sued for infringement, arguing that it intended to resume use of the mark when social policies permitted. The court held the mark had been abandoned because CBS did not have an intent to use the mark in the reasonably foreseeable future. *Silverman v. CBS Inc.*, 870 F.2d 40 (2d Cir. 1989).

The trademark owner need not use the mark everywhere in the United States; use anywhere is usually sufficient. However, trademark owners cannot make sporadic and token sales merely for the purpose of reserving rights in a mark. Moreover, minor activities will not suffice. Press releases and other similar announcements by a company that it is discontinuing a product line associated with a mark likely show an intent not to resume use from which abandonment will be inferred. Because abandonment leads to a complete forfeiture of rights to a mark, courts are reluctant to find abandonment unless there is clear and convincing evidence of such. Thus, intermittent periods of nonuse or slight use will not result in abandonment.

A trademark owner challenged with an allegation that his or her mark has been abandoned through nonuse may attempt to show special circumstances that would justify nonuse. These special circumstances are similar to those that excuse nonuse when a registrant files a Section 8 affidavit. For example, a labor strike that results in inability to ship products or government regulation precluding importation or shipping of goods bearing the mark will usually excuse nonuse. Similarly, the sale of few products bearing the mark when the products are extremely expensive may excuse nonuse. However, mere economic conditions that make selling the product or service unprofitable do not excuse nonuse.

It is possible that the mark has been so changed by the owner over time that the original mark has become abandoned. As discussed, minor changes or slight modernization of a mark will not result in loss of rights, but a material alteration in the mark may result in abandonment of the original mark. The test is whether the new form of the mark creates the same commercial impression as the original version; if so, there is no abandonment. Similarly, a change in goods offered under the mark may lead to an abandonment of the mark as to those goods for which the mark is no longer used. For protection, owners should register each version of a mark.

Marks can also be expressly abandoned, such as when a trademark owner cancels or surrenders his or her registration, perhaps as a result of a settlement agreement with another.

Abandonment causes a loss of common law rights as well as rights under the Lanham Act. Resumption of use by the owner (or use by a third party) after abandonment does not revive the mark but merely establishes a new use date for the new mark. On the other hand, if an applicant inadvertently abandons an application (perhaps because the applicant failed to timely respond to an office action) or a registration (because the registrant forgot to renew the registration), but continues to use a mark, rights to the mark continue and the owner retains common law rights from its date of first use and can reapply for trademark registration.

TRADEMARK USE AND COMPLIANCE POLICIES

Because misuse of a mark by allowing it to become generic or alteration of a mark can cause loss of rights, trademark owners should initiate compliance policies to ensure use of marks is

proper. Failure to monitor and actively police a mark may result in abandonment of all rights to the mark. A **trademark compliance policy** will help to ensure that a company's marks continue to enjoy protection both under the Lanham Act and common law.

Following are some guidelines for proper trademark usage:

- A trademark should be displayed prominently in comparison with its surroundings and should clearly stand out on a label, advertisement, in text, and so forth. Thus, many owners capitalize their marks, display them in some prominent style or larger-than-average typeface, place them in quotation marks, or use distinctive lettering, colors, or the word *brand* after the mark, as in "VASELINE® brand petroleum jelly" to remind consumers that VASELINE is the brand name of or trademark for a certain product from a certain source and not the name of the product itself.
- Marks should be used in connection with the appropriate goods and services. Companies that have numerous similar marks for similar products and services must exercise care that a mark does not become abandoned because it is no longer used in connection with the product or service for which it was registered. For marks used in connection with goods, the mark should be placed on the goods or on labels attached to the goods or packaging for the goods.
- Appropriate designations and notices should be used to inform the public that trademark rights are claimed in the mark. The federal registration symbol (®) is most often used for registered marks, while the initials "TM" or "SM" are often used in connection with marks that are not yet registered. The symbols are generally placed to the right of and slightly above (or below) the mark, such as in "CAMPBELL'S®

condensed cream of chicken soup.” The symbol should be large enough to be easily spotted but need not be obtrusive. If a mark is repeated several times in an advertisement or brochure, the symbol may be displayed with the first or most prominent use of the mark. Alternatively, the mark can be displayed with an asterisk. A corresponding footnote at the bottom of the page can provide the information that the mark is a registered trademark owned by the company.

- Marks should be used consistently. The addition of words or symbols to a mark may lead to the conclusion that the company has abandoned its original mark and is now using some nonregistered form of the mark.
- The owner of the mark should be identified. For example, a notice may state “SOUTHRISE® is a federally registered trademark of Hutchins Associates, Inc.”
- The mark should not be used in the plural form or possessive form, such as “Excedrins are great pain relievers” or “Shout’s spot-removing power is improved.” Such uses may result in the mark becoming generic.
- Marks should be used as adjectives rather than nouns to ensure the mark does not become generic. The mark should not be used to refer to the general type of a product or service or to the owner. Use of a mark as a noun, rather than an adjective, suggests that the mark is the generic name for a product or service rather than a unique trademark for a particular product or service of a particular company. To avoid genericide, follow each use of a mark with the generic name for the product identified, as in “ROLLERBLADE® in-line skates” or “KLEENEX® tissues.” Using such a term after the mark (or using the word *brand* as in “BAND-AID® brand adhesive strips”) makes a mark an adjective rather than a noun.

- Correct: SOUTHRISE® juices are refreshing.
SOUTHRISE® cranberry juice is the juiciest.
I used the GOOGLE® search engine to get directions.
She ran a GOOGLE® search to check John’s background.
- Incorrect: Southrise refreshes you.
Southrise is a sparkling beverage.
I’d like a Southrise.
I googled the directions.
She googled John.

Similarly, Twitter Inc.’s website now includes detailed guidelines on the use of its marks, likely for the purpose of helping to ensure that its marks do not become generic as its devoted followers persist in using the marks as verbs and nouns (as in “follow me on Twitter”).

Famous marks such as COKE® and FORD® are exceptions to this rule, and their owners do not always follow the noun-adjective rule. For example, advertising copy may read, “Have you driven a Ford lately?” This copy would be using the mark as a noun rather than an adjective. Other than these extraordinary cases, marks should always be used as adjectives rather than nouns.

To ensure that trademark use is proper and consistent, many companies use trademark handbooks and provide detailed information sheets to their employees, advertisers, suppliers, vendors, and licensees to instruct them in proper use of trademarks. When marks comprise color or design components rather than mere wording, companies usually supply advertising “slicks” as well so users can faithfully reproduce the mark. Many companies designate a responsible person to regulate use of the company’s marks and verify compliance with guidelines and policies regarding use of the marks. When dealing with media inquiries, many companies issue press kits to instruct the media on how marks are to be used. (See Exhibit 5–2 for a chart showing examples of trademark usage.)

Guideline	Trademark Do	Trademark Don't
Display mark prominently.	VISIONTREK®, VISIONTREK®	Visiontrek
Use mark as registered and use in consistent manner.	VISIONTREK®	Vision-Trek, Vision Trek, VisionTrek
Use trademark registration notice.	VISIONTREK®	VISIONTREK
Identify owner of mark.	VISIONTREK® is a registered mark of Vision Corp.	Visiontrek
Do not use mark in plural form.	VISIONTREK® guided tours will thrill you.	Visiontreks offer guided tours.
Do not use in possessive form.	VISIONTREK® guided tours provide you with a full sightseeing experience.	Visiontrek's guided tours provide you with a full sightseeing experience
Use mark as an adjective rather than a noun.	VISIONTREK® guided tours are fully supervised. The VISIONTREK® tours will amaze you.	Visiontrek is fully supervised. Visiontrek will amaze you.

EXHIBIT 5-2 Trademark Usage Guide

TRADEMARK POLICING AND MAINTENANCE

In addition to ensuring that marks are used properly to avoid genericide or abandonment, trademark owners should initiate active policing and maintenance procedures to avoid infringement of their marks. The classic trademark rule is “police it or lose it.” Among the steps trademark owners should take to protect their marks from infringement are the following:

- Critical dates for required actions with the USPTO should be docketed to ensure marks, applications, and registrations are not inadvertently abandoned and then used by others.
- Owners should subscribe to watching or tracking services to monitor marks for potential infringement. Professional service companies

will review a number of trademark resources, including applications filed at the USPTO, the *Official Gazette*, state trademark registers, Internet domain names, and common law sources. Worldwide watching is also available for marks used internationally. Early notification of potential conflicts allows an owner to take aggressive action to protect a mark. The companies identified in Chapter 3 (Thomson CompuMark, CT Corsearch, and so forth) perform these watching services at varying rates. The most comprehensive watch of all resources previously described might cost more than \$1,200 per year per mark per class. However, for a company like McDonald's Corporation that has spent years and substantial amounts of money in building goodwill in its marks, such as its GOLDEN ARCHES® mark, such a sum represents a very reasonable

investment. Some trademark owners conduct an annual intellectual property “audit” to review the status of their intellectual property and detect potential infringing uses (see Chapter 24). More limited watches, such as one only of new applications filed at the USPTO, might cost approximately \$265 per year per mark.

- Company employees should be asked to be alert to competing uses in the marketplace. Trade publications, business press, and marketing materials of competitors should be monitored to ensure that marks that may be confusingly similar to the company’s marks are not being used. Employees who attend trade shows or conferences should review booths and materials of competitors.
- Trademark owners should review Internet uses, especially auction sites such as eBay, to locate infringing marks or misuses of a mark. Policing the Internet is a double-edged sword, however; while a few simple keystrokes may reveal numerous uses, the trademark owner then runs the risk that ignoring infringers may lead to a loss of trademark rights (although, as discussed in Chapter 6, a trademark owner is not required to pursue every possible misuse of a mark). Some companies with famous marks use a team to review Internet uses and then send e-mails explaining their trademark rights and asking the user to stop use of the owner’s mark. If such a strategy is not successful, a more formal **cease and desist letter** is sent (see discussion later in this chapter).

USE OF MARKS OWNED BY THIRD PARTIES

Parties often use their competitors’ marks in promotional materials comparing and contrasting the respective goods or services of the parties. A trademark owner does not have an absolute right to prohibit any and all uses of its trademarks. Use

of another party’s marks may be acceptable in some circumstances, such as in comparative advertising. For example, it is not trademark infringement for a party to inform consumers truthfully that its products will “fit with” the trademark product of another. Thus, a seller of sponges was able to advertise that its sponges fit as replacements in the “O-CEDAR® 76 mop.” Many parents are familiar with the announcements that certain blocks “work with LEGOS®.”

Statements that one’s products are “superior to” or “better than” another’s, however, may be actionable as false advertising if the statement is untrue. Statements such as, “If you like Revlon brand mascara, you’ll love our new ABC EverLash” are protected as comparative advertising so long as they are not misleading. Such uses are often called “nominative fair use” because there is no use of the trademark in its traditional sense to serve as a source but merely to “name” the real owner of the mark.

Courts tend to examine language in advertising to ensure there is no misleading use, product disparagement, or confusion caused to the public. To reduce confusion, a party should always place the registration symbol (®) next to another party’s registered mark and provide the announcement, “XYZ® is a federally registered trademark owned by XYZ Corp.” This will help ensure that consumers are not confused about the source and origin of goods or services offered under the respective marks. Trademark infringement and nominative fair use are discussed in Chapter 6, and the law of unfair competition is discussed in Chapter 23.

TRANSFER OF OWNERSHIP OR RIGHTS IN TRADEMARKS

Assignment of Marks

A trademark or service mark may be transferred or assigned to another *if* the goodwill symbolized by the mark is assigned with it. TMEP 501.06 provides

that partial assignments are permissible. Thus, a sole owner may assign 50 percent of his or her interest in a mark to another. The more common approach is an assignment or transfer of all of one's rights in a mark to another.

Because a mark is used to identify the source of goods and services, rather than existing as an independent object of property, it is inseparable from the goodwill of the business to which it applies. Thus, an arrangement by which a mark is assigned without the business goodwill that the mark symbolizes, called an **assignment in gross**, is ineffective to transfer trademark rights, and the new owner who begins using the mark cannot claim the original owner's use date for purposes of establishing priority in the mark. The new owner, the "assignee," will establish its own first use date upon using the mark. Thus, valuable trademark rights could be lost if a third party begins using a mark *after* the assignor's original use date but *before* the date of an assignment in gross to the assignee. This third party would have priority over the assignee and could prevent use of a confusingly similar mark by the assignee. To prevent such a situation, the parties should enter into a written **assignment** agreement that recites that the mark is being transferred together with the goodwill of the portion of the business associated with the mark. A recitation that goodwill is transferred with the mark is usually sufficient to ensure the assignee can capture or retain the original date of first use. Assignments of marks in which federal rights are claimed must be in writing (15 U.S.C. § 1060(a)).

The transfer of common law rights to a mark does not require a written agreement. If the assignment is oral, its existence may be proven by clear and uncontradicted testimony. However, while an oral agreement to transfer a common law mark is valid, a written agreement lends certainty and should always be used. Moreover,

the assignment document should recite that the mark and the goodwill symbolized by the mark are being transferred to ensure there is no loss of trademark rights. The assignment document itself may be a relatively simple agreement (see Exhibit 5–3).

An entire business need not be transferred with a mark. A trademark owner may assign a mark used in connection with specific goods or services and retain other marks used in connection with other goods or services. If all of the assets of a business are sold, however, it is assumed that all marks and their goodwill pass with the other assets, even if they are not specifically mentioned in the sales documents.

In many cases, owners prepare written assignments on a later date to reflect an assignment that actually occurred earlier. For example, if ABC Inc. transferred or assigned its common law rights in a mark to another party but the parties neglected to prepare the actual assignment document at the time of transfer, ABC Inc. might later prepare a document reflecting such an event. Called a **Nunc Pro Tunc Assignment** (literally, "now for then"), the document merely recites that the assignment occurred on an earlier date and reflects an earlier transfer or assignment.

If the mark assigned has been registered or is the subject of a pending use-based application at the USPTO, the assignment must be in writing and should be filed or "recorded" with the USPTO. Although there is no requirement that the assignment be recorded to be effective, **recordation** is a relatively simple procedure that affords several advantages:

- It clarifies the records of the USPTO and affords notice to all of the identity of the owner of the mark.
- It allows the new owner to commence and defend actions at the USPTO in its name.

WHEREAS, Hollis & Sanders Co., a corporation organized under the laws of the State of California, located and doing business at 890 Second Avenue, San Diego, CA 92117 ("Assignor"), is the owner of U.S. Trademark Registration No. 1,908,457 for the mark VISIONTREK issued December 14, 2006, for travel and tour services in I.C. 39 in the United States (the "Mark"); and

WHEREAS, Vision Corp., a corporation organized under the laws of the State of Delaware, located and doing business at 885 Third Avenue, 24th Floor, New York, NY 10022 ("Assignee"), desires to acquire all of Assignor's rights in and to the Mark and the goodwill symbolized thereby;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby sells, assigns, transfers, and conveys to Assignee all of its right, title, and interest in and to the Mark, together with the goodwill of the business associated with the Mark, the same to be held and enjoyed by Assignee, its successors, assigns, and other legal representatives. Assignor further assigns to Assignee all right to sue for and receive all damages accruing from past infringements of the Mark herein assigned.

Assignor represents it is the legal owner of all right, title, and interest in and to the Mark and has the right to assign the Mark and that there are no pending legal proceedings involving the Mark.

This Assignment shall be binding upon the parties, their successors and/or assigns, and all others acting by, through, with, or under their direction, and all those in privity therewith.

The parties agree to take any further action and execute any documents required to effect the purposes of this Assignment.

Hollis & Sanders Co.

By: _____

Title: _____

Date: _____

Vision Corp.

By: _____

Title: _____

Date: _____

EXHIBIT 5-3 Assignment of Trademark

- It ensures that documents and notices issued by the USPTO will be sent to and will identify the correct owner.
- It simplifies postregistration procedures inasmuch as Section 8 affidavits will be rejected unless their identification of the trademark owner is consistent with the USPTO records.
- It provides public notice of the fact of the assignment such that later purchasers of the mark are bound by it.

In fact, an assignment is void against a later bona fide purchaser without notice of the assignment unless the assignment is recorded with the USPTO

within three months after the assignment or before the subsequent purchase. 15 U.S.C. § 1060(a)(4).

Additionally, the USPTO automatically updates its ownership information in its database of registrations and pending applications when an assignment is recorded, thus simplifying post registration actions such as filing a Section 8 Affidavit of Use because the USPTO records will already reflect the correct owner of the mark.

Although common law marks, registered marks, and marks that are the subject of pending use-based applications can be assigned, marks that are the subject of intent-to-use (ITU) applications cannot be assigned prior to filing an amendment

to allege use or a statement of use with the USPTO verifying that the mark is in use in commerce, unless the mark is being assigned to a successor of the business of the applicant to which the mark pertains and the business is ongoing and existing (15 U.S.C. § 1060(a)(1)). The purpose of the prohibition against assignment of marks not yet in use is to prevent the sale or trafficking of ITU applications. Additionally, permitting assignment of an application before a mark is used would conflict with the principle that a mark may be validly assigned only with some of the business or goodwill attached to use of the mark. There can be no goodwill attached to a mark that has not been used. An assignment of an ITU application prior to the filing of the verified statement of use is not only invalid but also voids the underlying trademark application or any resulting registration.

Recording documents at the USPTO requires that a party file a specific USPTO cover sheet or form (Form 1594, Recordation Form Cover Sheet; see Exhibit 5–4) identifying the conveying and receiving parties, the marks affected by the transfer, and a correspondent to whom the USPTO can send notices. The fees for recording are \$40 for the first mark being assigned and \$25 for each subsequent mark identified in the form. Form 1594 is also used to inform the USPTO that a mark has been acquired by a party through a merger (as when a corporation that owns a mark is acquired by another corporation) or in the event the trademark owner changes its name or state of incorporation.

To expedite recordation, the USPTO encourages recording electronically through its **Electronic Trademark Assignment System (ETAS)**. Documents filed electronically are recorded much faster than paper documents. Using ETAS, a party can create and submit the recordation cover sheet by completing an online form and attaching the supporting legal documentation in PDF (or TIFF) format for

submission via the Internet. Fees can be paid by credit card, electronic funds transfer, or deposit account.

Licensing of Marks

A party may allow another party to use a mark and yet retain ownership rights in the mark. Such a form of limited permission is called a **license**, and it may provide a significant source of revenue for the trademark owner-licensor. License agreements may be written or oral, although most are written. Some of the most common license arrangements occur in franchising. For example, McDonald's Corporation will grant a franchise to a party to open a McDonald's restaurant in a certain territory. In connection with the franchise, McDonald's will grant the party a license to use McDonald's trademarks on the cups, packaging, signs, and in advertising. McDonald's continues to own the marks; it has merely granted a license to its franchisee to use its marks for certain specific purposes.

The licensor will lose its rights to the mark, however, if it does not control the nature and quality of the goods or services offered by the licensee under the mark. Thus, license agreements must include "quality control" provisions whereby the licensor protects the mark by ensuring the goods and services offered under it by the licensee are consistent with those offered by the licensor. If goods offered under a trademark vary in quality and consistency from place to place, the trademark for the goods no longer serves its basic function as a quality indicator.

Failure of the licensor to exercise quality control will result in a **naked license** and a loss of the licensor's rights in the mark. Failure to so monitor the goods and services offered under the license may result in abandonment of the mark and may preclude or estop the trademark owner/licensor from challenging use of the mark by the licensee

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

☐ Yes

☐ No

If assignee is not domiciled in the United States, a domestic representative designation is attached: ☐ Yes ☐ No
(Designations must be a separate document from assignment)

☐ Assignment
 ☐ Merger
☐ Security Agreement
 ☐ Change of Name
☐ Other

Additional sheet(s) attached? ☐ Yes ☐ No

Total number of pages including cover sheet, attachments, and document:

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during the period of unsupervised use. License agreements should therefore allow the licensor to conduct periodic inspection of the licensee's facilities and its use of the mark. The licensor may require the licensee to submit samples of how the mark is being applied to the goods or how it is used in advertising or may require testing of products offered under the mark. Such measures ensure that the licensee's products and services are of the same level of quality that consumers have come to associate with the licensor's mark. Failure to control and supervise the mark by the owner so as to ensure quality and consistency in the goods or services offered under the mark leads to public deception inasmuch as the function of a mark is to identify the source of goods or services. Thus, a naked license (one without quality control provisions) results in loss of trademark rights.

In one famous example, for years a well-known trademark lawyer, Julius R. Lunsford Jr., traveled the country going to bars and restaurants to order COCA-COLA® drinks to determine if the establishments were actually serving COCA-COLA® and not another cola beverage. Lunsford would secretly retain a sample of the beverage and have it tested by company chemists. If necessary, Coca-Cola Co. would then prosecute the establishments for unfair competition.

The licensor may grant the licensee exclusive rights to use the mark. Alternatively, the licensor may limit the licensee's rights by allowing others to use the mark as well (as is the case in franchise situations) or may allow the licensee to use the mark only in specific geographic areas. Similarly, the licensor may retain rights to use the mark itself. The license agreement should specify whether the license is an **exclusive** or **nonexclusive license**, indicate whether use is restricted to any specific goods or services, or to any geographic territory,

and must include adequate quality control provisions. Most license agreements also recite that the licensee acquires no ownership rights in the mark and cannot challenge the licensor's rights to the mark. A one-time fee may be paid by the licensee for the privilege of using the mark, or the licensee may make periodic royalty payments to the licensor based upon sales of the products. For example, the licensee may be required to pay the licensor 4 percent of its net profits arising out of its use of the mark as **royalties** or may be required to achieve certain levels of sales. On occasion, a trademark owner may assign the entire mark to a party who then "licenses back" to the original owner the right to use the mark for some purpose. Litigation between trademark claimants is often resolved by such licensing arrangements. Although actions for infringement of federally registered marks are brought in federal court, actions involving the terms and conditions of licenses are governed by state laws relating to the general interpretation of contracts.

Although a license can be recorded with the USPTO (using either an electronic or paper cover sheet), there is no requirement of recording, and most parties in the United States do not do so, believing the license is a private agreement of which the public need not be informed. Moreover, license agreements do not involve a change of ownership or affect the chain of title to a mark. In most foreign countries, however, as discussed in Chapter 8, there is usually a statutory duty to record a license agreement with the appropriate governing body.

The dates relating to trademark licenses should be docketed or calendared so that the license is terminated or renewed at the appropriate time. (See Exhibit 5-5 for a sample trademark license agreement.)

This Trademark License Agreement (the “Agreement”) is entered into and is effective as of this _____ day of _____, 20 _____, by and between ABC Corp., a Delaware corporation with its principal offices at One Pennsylvania Plaza, New York, NY 10019 (“Licensor”) and _____, a corporation with its principal offices at _____ (“Licensee”).

WHEREAS, Licensor is the owner of the trademark V (and Eagle Design) (the “Mark”) and U.S. Registration No. 1,789,746 therefor for children’s books in I.C. 16, metal key chains in I.C. 6, and a variety of houseware items in I.C. 21, all as specified in the registration and Licensor has the right to license use of the Mark to others;

WHEREAS, Licensor is desirous of licensing and Licensee is desirous of obtaining a license to use the Mark in connection with its business;

NOW, THEREFORE, in consideration of the above, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. GRANT OF LICENSE AND LICENSE FEE

Licensor grants to Licensee an exclusive, nontransferable, worldwide license to use the Mark in its name in connection with the goods covered by the registration of the Mark.

Upon execution of this Agreement, Licensee shall pay Licensor the sum of _____ Dollars (\$_____) as consideration for the grant of license to use Licensor’s Mark as described herein.

2. TERM OF LICENSE

Unless sooner terminated as provided in Section 8 hereof, the grant, as specified in Section 1, shall continue for a period of three (3) years from the date of this Agreement. This Agreement may be renewed for additional terms of three (3) years by mutual written agreement of the parties, which agreement may specify a license fee greater than the license fee provided in Section 1, not less than six (6) months prior to the expiration of the initial or any renewal term of this Agreement. Upon expiration of this Agreement:

- a. All rights of the Licensee to the Mark shall terminate and the Licensee shall have no further rights with respect thereto;
- b. Licensee shall not offer any goods in connection with the Mark or any confusingly similar mark and shall cease all use of the Mark or any confusingly similar mark; and
- c. Licensee shall cease any activity that suggests that it has any right to the Mark or that it has any association with the Licensor.

3. OWNERSHIP OF MARK

Licensee acknowledges the ownership of the Mark in Licensor, agrees that it will do nothing inconsistent with such ownership and that all use of the Mark by Licensee shall inure to the benefit of and be on behalf of Licensor, and agrees to assist Licensor in recording this Agreement with any appropriate domestic or foreign government authorities. Licensee agrees that nothing in this Agreement shall give Licensee any right, title, or interest in the Mark other than the right to use the Mark in accordance with this Agreement, and Licensee agrees that it will not challenge the title of Licensor to the Mark or challenge the validity of this Agreement.

4. QUALITY CONTROL STANDARDS AND MAINTENANCE

- a. Licensee agrees that the nature and quality of all goods offered or sold by Licensee in connection with the Mark shall be of high quality, manufactured free from defects and in full compliance with all laws, and of such style and appearance to be adequately suited to their exploitation to

the best advantage and enhancement of the Mark and consistent with the quality control standards established by Licensor.

- b. At reasonable times during the term of this Agreement, Licensor may request Licensee to submit samples of any advertising or promotional materials and specimens of all uses of the Mark. If any such materials fail to meet with Licensor's approval, Licensee shall cease using such disapproved materials or items until such times that it modifies such materials and items and receives approval in writing from the Licensor of such materials and items, as modified.
- c. Licensor shall have the right to review the Licensee's use of the Mark and Licensee's business operations at any reasonable time and upon reasonable notice. Upon notice of defects given by Licensor, Licensee shall cure such defects in the use of the Mark or the goods offered thereunder. In the event that Licensee does not take reasonable steps to cure such defects within thirty (30) days after notification by Licensor, Licensor shall have the right to require that Licensee remove the Mark from any products or materials or, at the sole discretion of Licensor, to terminate this Agreement.
- d. Licensee shall operate its business in a manner that reflects favorably at all times on the Mark.

5. FORM OF USE

Licensee agrees to use the Mark only in the form and manner and with appropriate legends and notices as prescribed herein and from time to time by Licensor and not to use any other trademark or service mark in combination with the Mark without prior written approval of Licensor.

6. PROPRIETARY RIGHTS AND GOODWILL

- a. Licensee acknowledges that the Mark is owned by Licensor, which has the sole and exclusive right to license the Mark. The parties intend that Licensee shall use the Mark only under the terms and conditions of this Agreement. Licensor has the sole and exclusive right to deal with the U.S. Patent and Trademark Office in connection with the Mark, and Licensee will perform any acts reasonably required by Licensor in connection with same. All costs associated with maintenance of the Mark shall be borne by Licensor.
- b. Licensee shall use all reasonable precautions and take all necessary steps to prevent the Mark from being acquired or duplicated or used by unauthorized persons. Licensee shall take appropriate action, by instructions, agreements, or otherwise, with any persons permitted access to the Mark to ensure that Licensee satisfies its obligations under this Agreement.
- c. Any goodwill arising out of Licensee's use of the Mark shall inure solely and exclusively to the benefit of Licensor, and Licensee shall have no rights therein or claims thereto. Licensee acknowledges that this Agreement does not confer any goodwill or other interest in or to the Mark except the right to use the same in accordance with the terms hereof.

7. INFRINGEMENT BY THIRD PARTIES

Licensee agrees to notify Licensor of any unauthorized use of the Mark by others promptly as it comes to Licensee's attention. Licensor shall have the sole right and discretion to bring infringement or unfair competition proceedings involving the Mark.

8. DEFAULT AND TERMINATION

Licensee shall be deemed to be in default and Licensor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Licensee any opportunity to cure the default, effective immediately upon receipt of notice by Licensee, upon the occurrence of any of the following events:

- a. If Licensee ceases to do business or otherwise forfeits the right to do or transact business in any jurisdiction where its business offices are located.

- b. If a threat or danger to public health or safety results from the management and operation of Licensee's business conducted in connection with the Mark.
 - c. If Licensee is convicted of a crime of moral turpitude or similar felony or is convicted of any other crime or is the subject of any civil action that Licensor reasonably believes is likely to have an adverse effect on the Mark, the goodwill associated therewith, or Licensor's interest therein.
 - d. If Licensee purports to transfer any rights or obligations under this Agreement to any third party without Licensor's prior written consent.
 - e. If Licensee fails to maintain any of the quality control standards prescribed by Licensor in this Agreement or otherwise in writing.
 - f. If Licensee engages in any business or markets any service or product under a name or mark which, in Licensor's opinion, is confusingly similar to the Mark.
9. MISCELLANEOUS
- a. This Agreement shall be construed in accordance with the law of the State of New York.
 - b. Licensee shall not assign, sublicense, encumber, or otherwise transfer its rights and obligations under this Agreement without the prior written consent of Licensor.
 - c. This Agreement contains the entire agreement between the parties with respect to licensing of the Mark. It supersedes and cancels any prior oral or written understandings or negotiations and may not be modified in any respect except in writing signed by both parties.
 - d. The terms of this Agreement shall be severable such that if any term hereof is held to be illegal, invalid, or unenforceable, such holding shall not affect the validity of any of the other provisions of the Agreement, unless the severing of such term would defeat the purpose of this Agreement.
 - e. The failure of any party to exercise any right or option given to it by or to insist upon strict adherence to the terms of this Agreement shall not constitute a waiver of any terms or conditions herein with respect to any other or subsequent breach.
 - f. Any notice, payment, or statement required by this Agreement shall be either personally delivered or sent by registered or certified mail, postage prepaid, to the addresses indicated above and shall be effective when placed in the U.S. mail, properly addressed and containing the proper postage.
 - g. This Agreement shall be binding on and shall inure to the benefit of the parties to this Agreement and their successors and assigns, if any.

IN WITNESS WHEREOF, the parties hereto have caused this License Agreement to be executed as of the date provided herein.

LICENSEE

By: _____

Name: _____

Title: _____

LICENSOR

By: _____

Name: _____

Title: _____

EXHIBIT 5-5 (Continued)

The Effect of Bankruptcy on Trademarks

Because trademarks are often among a company's most valuable assets, their treatment by bankruptcy court is important. When a party files a petition in bankruptcy, its trademarks are considered property of the bankrupt estate and may be sold by the bankruptcy trustee. In fact, if an entire business is sold, it is presumed that all trademarks (together with their goodwill) pass to the buyer. Buyers, however, should be careful to use the marks for the goods and in the form identified in a registration to avoid arguments that they have abandoned the marks. The situation is far more complicated if a trademark license is involved.

License of Marks—Debtor Is Licensee. If the bankrupt debtor is a licensee who is using another's trademarks, it may not assign its rights to another without the trademark owner's consent. Because the owner of a trademark has an interest in the party to whom the trademark is assigned (so that it can ensure that goods offered under the mark are consistent with its quality control standards), trademark license rights are personal and cannot be assumed or assigned by the debtor-licensee without the consent of the licensor-owner. *In re N.C.P. Mktg. Corp.*, 337 B.R. 230 (Bankr. D. Nev. 2005), *aff'd*, 279 F. App'x 561 (9th Cir. 2008) (mem.).

License of Marks—Debtor Is Licensor-Owner. Under 11 U.S.C. § 365(a) of the Bankruptcy Code, subject to court approval, a bankruptcy trustee may assume or reject any "executory contract" of the debtor. This allows a debtor to reject burdensome contracts while retaining or assuming beneficial ones so it can obtain the "fresh start" that is the goal of bankruptcy. An "executory contract" is

one in which performance is due to some extent on both sides.

Courts have found intellectual property agreements to be executory contracts because such agreements require continuing performance by both parties. For example, a licensee must pay royalties while a licensor agrees to maintain the IP in force. Thus, a bankrupt licensor could reject its earlier licenses and recapture its intellectual property. Such would terminate the licensee's right to use the intellectual property—a devastating event for a licensee. *See Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc.*, 756 F.2d 1043 (4th Cir. 1986), *superseded by statute*, Intellectual Property Bankruptcy Protection Act of 1988, Pub. L. 100–506, 102 Stat. 2538, *as recognized in In re Qimonda AG Bankr. Litig.*, 433 B.R. 547 (E.D. Va. 2010).

Congress remedied the drastic result reached in *Lubrizol* in 1988 by amending the Bankruptcy Act to provide that if the trustee rejects an executory contract under which the debtor is a licensor of intellectual property, the licensee could either treat such as a breach of contract and sue for damages or retain its rights. Unfortunately, however, trademarks are not included in the Act's definition of "intellectual property" (although copyrights, patents, and trade secrets are within the definition of "intellectual property"). 11 U.S.C. § 101(35A). Thus, a licensor in bankruptcy could reject a trademark license, leaving the licensee with only a claim for breach of contract and no ability to use marks that may be critical to its ongoing business operations.

In one recent case, however, the Third Circuit held that a trademark license was not an executory contract that the debtor licensor could reject where the licensee had paid the full license price and had operated under the agreement for more than 10 years. Although the licensor argued that the licensee had ongoing obligations that rendered the

contract executory (including the licensee's obligations to observe quality control standards), the court held that such did not outweigh the "substantial performance" rendered by the licensee. *In re Exide Techs.*, 607 F.3d 957 (3d Cir. 2010), *cert. denied*, 131 S. Ct. 1470 (2011).

Conclusion. These authorities have significant impact on both trademark licensors and licensees. Thus, IP practitioners need to be knowledgeable about the effect of bankruptcy on trademark licenses. At a minimum, careful investigation of a licensor's financial standing is prudent. Similarly, periodic financial reporting could also be required during the life of a license. At present, if a trademark license is viewed as an executory contract and is rejected by the debtor in bankruptcy, the licensee will lose its rights to use the licensed trademarks in its business and will have only a claim for damages.

Trademarks as Collateral

Trademark owners may use their marks as collateral to secure their promise to perform some obligation. For example, a trademark owner may wish to

borrow \$400,000 from a bank. The bank may insist that certain property be pledged as collateral so that in the event of a default in payment by the owner, the bank can seize the assets pledged. Trademarks can be used as such collateral. Typically, the parties enter into an agreement called a security agreement that contains the terms and conditions of their arrangement. The security agreement will identify the marks being pledged as collateral. The security agreement is typically recorded at the USPTO to afford notice to the public that the marks are subject to the security interest. When the trademark owner satisfies its obligations, the security interest is released, again by using the electronically filed or paper cover sheet form. During the existence of the security agreement, the owner retains all rights in the mark. Granting a security interest in a trademark is not a transfer of any present rights in a mark. It allows a party to seize the marks (and then exercise all rights of ownership) only in the event of a default by the owner in regard to some promise or obligation. Because the grant of a security interest is conditional (because it has no effect unless there is a default), a trademark that is the subject of an ITU application can be used as collateral.

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- Words that were once valid trademarks but have become genericized include *pilates*, *cornflakes*, *dry ice*, *kerosene*, *linoleum*, *nylon*, *shredded wheat*, *yo-yo*, and *trampoline*.
- In 2007, Law.com reported that in 2003 manufacturers paid nearly \$6 billion in licensing royalties in the United States alone.
- In late November 2006, *The Washington Post* reported that Ford Motor Co. arranged \$18 billion in bank loans, for the first time using company assets as collateral, including trademarks.
- In 2010, Apple licensed the use of the mark PING from golf company Ping (and its parent) so Apple could use the mark in connection with its music feature in iTunes. Financial terms were not disclosed.

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CHAPTER SUMMARY

Merely obtaining a federal trademark registration does not guarantee an owner unlimited and perpetual rights to a mark. Because rights to a mark stem from use (rather than mere registration), the Lanham Act imposes certain requirements on registrants to ensure that only active marks remain on the USPTO rolls.

Thus, a registration will be canceled unless, between the fifth and sixth year after registration, and in the year before the end of each 10-year period after registration, the owner files a Section 8 affidavit with the USPTO alleging its continued use of the mark and submitting a specimen showing the mark as presently used.

If the mark is registered on the Principal Register, has been in continuous use for five years, and has not been the subject of any adverse action, the owner may file a Section 15 affidavit and thereby obtain incontestability status for the mark, severely limiting the grounds upon which attacks on the mark may be made.

At the end of the registration period, and every 10 years thereafter, an application for renewal must be filed to maintain the registration in force.

In addition to losing rights to federal registration, a trademark owner can lose rights to the mark if the mark becomes generic or if it is abandoned with intent not to resume use. Nonuse for three years creates a presumption of abandonment.

To ensure rights to marks are maintained, many trademark owners develop compliance policies that set forth guidelines for proper use and display of the mark. Additionally, many owners monitor use of marks in the marketplace to detect potentially infringing marks.

Finally, rights to marks can be lost by acts that cause the mark to lose significance, such as by an assignment of a mark that does not include its goodwill or a license of a mark without quality control provisions to ensure that a licensee's use will be consistent with the standards of quality the public has come to expect of a mark. Generally, trademark licensors who file petitions in bankruptcy (or their trustees) may reject their previously granted trademark licenses, leaving their licensees with only a claim for damages and no ability to use marks previously licensed to them. Trademarks can be used as collateral to secure a party's obligation to perform a promise. In the event of a party's default, the marks are then seized by the secured party, who is usually a lender of money.

CASE ILLUSTRATION

STANDARD FOR CANCELLATION OF REGISTRATIONS FOR FRAUD

Case: *In re Bose*, 580 F.3d 1240 (Fed. Cir. 2009)

Facts: Bose applied to renew its WAVE trademark. The Trademark Trial and Appeal Board cancelled the registration after finding that Bose committed fraud on the USPTO by claiming use of the mark when it knew it had stopped manufacturing audiotape recorders and players offered under the mark several years before. Bose appealed. Bose's counsel alleged that because Bose continued to repair the goods, some of which were still under warranty, he believed such was use sufficient to support an application for renewal.

Holding: The court reversed. Although the court agreed that repair and shipping did not amount to use in commerce, the question was whether the false statement regarding use of the mark had been made knowingly with intent to deceive. Although the statement was false and was a material misrepresentation, there is no fraud if a false misrepresentation is made due to an honest misunderstanding without a willful intent to deceive. A trademark is obtained fraudulently only if the applicant or registrant knowingly makes a false material representation *with intent to deceive* the USPTO. In this case, counsel testified that he believed the statement about use of the mark was true when he signed it. However, the court agreed that Bose's registration should be restricted to reflect the actual goods offered under its WAVE mark.

CASE STUDY AND ACTIVITIES

Case Study: Holiday operates an upscale restaurant on board its ships under the mark HOLIDAY CHEER. Holiday also rents diving and scuba equipment to its passengers for swimming and diving excursions under the mark HOLIDAY OUTFITTERS, although due to a fire at a plant in China where the equipment is made, it has not been able to obtain, sell, or lease any of this equipment for one year. Both of these marks were registered on January 10, 2006.

- Activities:**
1. Identify all maintenance dates for the marks.
 2. What objections might Holiday encounter when it attempts to maintain its mark HOLIDAY OUTFITTERS? Discuss.

ROLE OF PARALEGAL

Paralegals play a significant role in trademark maintenance. Some law firms with large trademark practices maintain separate departments for trademark prosecution and maintenance, with IP professionals taking an active role in every aspect of both. Among the activities participated in are the following:

- Docketing dates for the Section 8 affidavits of use and the Section 9 applications for renewal
- Corresponding with (and often locating) clients to notify them that their registrations will be canceled unless the Section 8 affidavit or the renewal application is filed;

- Ensuring the chain of title is continuous so that the party who files the postregistration documents with the USPTO is “of record” with the USPTO as the owner of the mark and recording changes in ownership of the marks, if required;
- Comparing a specimen of the mark as presently used with that in the original registration to ensure a material alteration has not occurred that would preclude the filing of a Section 8 affidavit;
- Conducting due diligence to determine whether a mark has been in such continuous use that the owner can file a Section 15 affidavit to obtain incontestable status of its mark;
- Preparing, filing, and monitoring Sections 8 and 15 affidavits and applications for renewal;
- Communicating USPTO action on affidavits and renewal applications to clients and docketing new dates for affidavits of use and renewals;
- Docketing the fifth anniversary after registration of a mark on the Supplemental Register so a new application can be filed for registration on the Principal Register (due to the presumption that after five years of exclusive and continuous use of a mark, it has acquired distinctiveness);
- Assisting clients in drafting trademark compliance policies;
- Assisting clients in conducting monitoring of marks to detect possible infringing uses
- Reviewing clients’ advertising copy and other materials to ensure display and use of marks is proper and that there is no misuse of another party’s marks;
- Drafting trademark assignments and licenses;
- Docketing dates for renewals and expiration of license agreements; and
- Recording assignments, mergers, changes of name, and security interests with the USPTO

INTERNET RESOURCES

USPTO website:

<http://www.uspto.gov> (select “Trademark Basics” and then “Assignment” for information on assignments and recording and searching assignments)

Trademark Manual of Examining Procedure (TMPE):

<http://tess2.uspto.gov/tmdb/tmep> (see Chapter 16 for information on trademark maintenance and Chapter 5 for information on assignments)

Forms for assignments:

<http://www.allaboutforms.com> and
<http://www.siccode.com/forms.php3>

Guides to proper trademark use:

<http://www.inta.org>

General information:

<http://www.ipmall.info> and <http://www.megalaw.com>

DISCUSSION QUESTIONS

1. A mark was registered on December 15, 2010. Give the earliest and latest dates that its Section 8 Affidavits of Use and Section 9 Application for Renewal may be filed.
2. If Godiva Chocolatier, Inc. wishes to license one of its marks to other chocolatiers to use, what quality control provisions might be included in the license agreement?

3. Identify which of the following are correct uses of trademarks and which are incorrect:

Nikes are my favorite running shoes.

Buitoni pasta is now available at my local market.

I love Jell-O.

I purchased two iPads last year.

Bic pens are reliable.

4. ABC Inc.'s mark was registered as BREAK-DOWN. Over the years, the company has modernized the mark to breakDOWN. Do you think the USPTO would accept a Section 8 Affidavit of Use for breakDOWN? Discuss.
5. XYZ Co. intends to sell its pending applications to another party. A Notice of Allowance was issued for CAPTAIN'S CHOICE; the mark ROYAL CAPTAIN will register in a few weeks (having passed its opposition period with no opposition being filed to its registration). What should XYZ do?
6. Alpha Co. failed to renew its registration for its mark ABACUS and the registration expired. What are Alpha's rights, if any, to the mark?

USING INTERNET RESOURCES

Use the USPTO website to answer the following questions:

1. Use the appropriate USPTO database and locate Application Serial No. 76497338. Review the Assignment records for this mark. What is the mark, who was the original applicant, and who is the present owner?
2. Select "Assignments" from the USPTO's Trademark Basics link and then "Search Trademark Assignment Database."
 - a. Locate the information recorded at Reel/Frame 3277/0576. What is the nature of this transaction?
 - b. Use the Assignee Index and locate the records relating to marks assigned to Apple Canyon Company. Select the first document assigned to Apple Canyon Company. What document was recorded?
3. Access the TMEP. What will happen if a party filing a Section 8 Affidavit of Use fails to list all goods or services recited in the registration?
4. Use the USPTO fee schedule and indicate the filing fee if ABC Inc. assigns 10 trademarks to another party in one document.



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 6

Inter Partes Proceedings, Infringement, and Dilution

CHAPTER OVERVIEW

Disputes often arise between parties regarding use and ownership of marks. Some proceedings occur at the USPTO, and others may be initiated in federal court. There are four types of actions involving disputes over trademark rights: inter partes proceedings, trademark infringement cases, actions alleging dilution, and actions alleging unfair competition.

Inter partes (literally, “between parties”) proceedings fall into four categories: oppositions, cancellations, interferences, and concurrent use proceedings. All of these matters are adjudicated by the Trademark Trial and Appeal Board (TTAB).

A person who believes a mark is being used so as to create a likelihood of confusion in the marketplace with his or her registered mark may initiate an action for trademark infringement under the Lanham Act. Infringement actions are brought in federal court.

The federal Trademark Dilution Revision Act protects famous marks by prohibiting uses that are not confusingly similar under conventional trademark analysis but may nonetheless cause a likelihood of diluting the strength of or tarnishing another’s rights in a mark.

Finally, the Lanham Act provides broad, sweeping protection for nearly all forms of unfair competition, including false advertising and infringement of trade dress, which protection is available to those who do not own a registered mark.

INTER PARTES PROCEEDINGS

Inter partes (literally, “between parties”) **proceedings** are those involving disputes between parties regarding rights, use, and ownership of marks. These actions are heard before the TTAB, an administrative tribunal of the USPTO, which is empowered to determine only the right to register a mark. Generally, the Federal Rules of Civil Procedure govern these proceedings, making the proceedings highly similar to actions brought in federal courts. In fact, 37 C.F.R. § 2.116(c) provides that an opposition or petition to cancel corresponds to a complaint in a court proceeding. Recall from Chapter 4 that the TTAB also has jurisdiction over *ex parte* appeals, that is, appeals from an examining attorney’s final refusal to register a mark in an application.

There are four types of inter partes proceedings: oppositions, cancellations, interferences, and concurrent use proceedings.

Oppositions

Timing Requirements. An **opposition** is a proceeding initiated by a person who believes that he or she would be damaged by registration of a mark on the Principal Register. Oppositions may not be initiated against marks sought to be registered on the Supplemental Register—those marks may be objected to by way of cancellation proceedings, discussed later. The document initiating the proceeding is called a **Notice of Opposition**. Recall from Chapter 4 that the time for initiating an opposition is triggered by the publication of a mark in the *Official Gazette*. Publication occurs after the examining attorney at the USPTO has approved the mark, and it is intended to provide notice to the public of the pending application so interested persons can oppose the registration.

An opposition must be filed prior to the expiration of the 30-day period after publication of the

mark in the *Official Gazette* for opposition, or within an extension of time to oppose.

Requests for extensions of time may be requested as follows:

- A potential opposer may file a first request for either a 30-day extension of time, which will be granted upon request, or a 90-day extension of time, which will be granted only for good cause.
- If a potential opposer was granted a 30-day extension of time, that person may file a request for an additional 60-day extension of time, which will be granted only for good cause.
- After receiving one or two extensions of time totaling 90 days, a potential opposer may file one final request for an extension of time for an additional 60 days with the consent of the applicant or upon a showing of extraordinary circumstances.

No further extensions of time to oppose will be permitted. The time for filing an opposition will not be extended beyond 180 days from the date of publication. To be sure dates are calculated correctly, use an electronic calculator such as <http://www.timeanddate.com>. Typically, alleging that the potential opposer needs additional time to investigate whether the applied-for mark may conflict with his or her mark or that the parties are engaged in settlement negotiations is sufficient to demonstrate good cause.

There is no fee required for filing a request for extension of time to oppose. (See Appendix D, Form 6, for a sample form for request for extension of time to oppose.)

Notice of Opposition. If the parties themselves cannot reach some resolution, an opposition proceeding will be initiated by the filing of a notice of opposition. Requests for extension of time to oppose and oppositions may be filed by mail or electronically through the TTAB’s Electronic System for Trademark Trials and Appeals (ESTTA).

The Lanham Act requires only that the notice of opposition set forth a “short and plain statement” of the reasons why the opposer believes it will be damaged by registration of the mark and the grounds for opposition. The opposer must serve a copy of the opposition on the applicant or applicant’s attorney of record, much as a defendant in a civil action is served with a copy of a complaint so it may answer its allegations. The filing fee for a notice of opposition is \$300 per class of goods/services identified in the application. (See Appendix D, Form 7, for a notice of opposition.)

Even if the parties ultimately reach resolution of the matter, the filing of a notice of opposition or even a request for extension of time to oppose seriously delays the application process. Thus, IP professionals should use TARR, the USPTO’s online status reporting system, to monitor applications to determine if such documents have been filed, and alert clients of such an impediment to registration.

Grounds for Opposition. In brief, an opposer wishes to prevent registration of a mark. The most common reason a person might believe he or she will be damaged if the mark applied for proceeds to registration is that the mark is confusingly similar to the opposer’s mark. Opposers are not, however, limited to asserting confusing similarity as a basis for opposition. The opposer is only required to state why he or she believes registration of the mark in question would result in damage. Thus, oppositions can also be initiated on the basis of descriptiveness or that the mark is a surname, contains immoral or disparaging matter, has been abandoned, is likely to dilute another’s trademark, and so forth. Nevertheless, the vast majority of oppositions allege that the mark in an application should be refused because it is likely to cause confusion with the opposer’s mark. In one novel case, the Federal Circuit held that an individual was entitled to come before the TTAB to oppose registration

of the trademarks O. J. SIMPSON, O.J., and THE JUICE on the grounds that the marks disparaged his values, were scandalous because they would attempt to justify violence against women, and that others in the public shared his views. *Ritchie v. Simpson*, 170 F.3d 1092 (Fed. Cir. 1999). The court held that the opposer had asserted a reasonable belief of damage and thus had standing to oppose registration of the marks. A strongly worded dissent expressed concern that the ruling would open the USPTO up to oppositions or cancellations from any member of the public who found a mark to be offensive. The applications were eventually abandoned by the applicant, O. J. Simpson.

Nature of Proceeding. As soon as either a notice of opposition or a request for extension of time to oppose is filed, the examining attorney at the USPTO relinquishes the file to the TTAB, which will handle the matter until its conclusion.

The TTAB can suspend an opposition proceeding to allow the parties to engage in settlement discussions. Opposition proceedings are somewhat like trials. The notice of opposition (equivalent to a complaint) is filed, and it is concurrently served by the opposer on the applicant (or applicant’s attorney); not less than 30 days after notification by the TTAB that the opposition has been filed, the applicant must file a response to the notice of opposition (equivalent to an answer in civil litigation); and discovery will proceed.

In 2007, the TTAB implemented new measures, which are highly similar to those used in the federal courts under the Federal Rules of Civil Procedure. These new measures relate to disclosures and discovery. When the TTAB notifies the parties that the opposition has commenced (under a “institution order”), it will set forth specific dates for the various phases in the case, including dates for an initial disclosure/discovery/settlement conference, deadlines for initial disclosures of “routine” information

(such as names of potential witnesses and basic information about documents that a party may use to support its claim or defenses), disclosure of expert witnesses, and dates for the opening and close of discovery. These new procedures are intended to increase the possibility of parties settling a TTAB proceeding and doing so sooner.

Discovery may include interrogatories, depositions, and the like. After discovery, the parties will submit briefs, and the TTAB will render a decision (about 10 weeks after the case is ready for decision). The entire opposition proceeding is done by filing of documents with the USPTO; no trial or oral presentations of evidence occur, unless the parties request to present oral argument. The schedule in an opposition is faster than that for most trials and the issue is narrow: Should the mark be allowed to register? Damages are not awarded, and the opposer cannot force the applicant to stop using the mark. A successful opposition merely results in denial of registration of a mark in a pending application.

Just as most civil cases do not go to trial and conclude by voluntary settlement, opposition proceedings are overwhelmingly concluded by voluntary agreements. Generally, the opposer and the applicant enter into a written **consent agreement** (often called a “consent to use agreement”) whereby they agree on the scope and nature of each party’s use of its mark, submit the agreement to the TTAB, and then ask for dismissal of the opposition proceeding. The consent to use agreement is the equivalent of a settlement agreement in a civil action. Until relatively recently, the USPTO accorded such agreements little weight; however, since the decision in *In re Four Seasons Hotels Ltd.*, 987 F.2d 1565 (Fed. Cir. 1993), such agreements have been given great weight in determining whether confusion is likely to result from coexistence of marks. Although the USPTO or TTAB can always refuse such an agreement on the basis that the public interest is not served thereby, *Four Seasons* makes it clear that if those parties

who have the greatest interest in reducing confusion agree that confusion is unlikely, their decision should be respected by the USPTO. If an agreement is reached, the applicant’s file wrapper will be “returned” to the USPTO for further processing, namely, registration (if the application was use-based) or allowance (if the application was based on the applicant’s intent to use the mark). (See Appendix D, Form 8, for a consent to use agreement.)

Cancellations

As discussed, an opposition can be initiated only within a very limited time period. In fact, if no action is taken within 30 days of publication of the mark in the *Official Gazette*, an opposition proceeding may not be instituted. Because reading the *Official Gazette* and filing a timely notice of opposition can be extremely difficult, the Lanham Act recognizes that additional opportunity to object to registration of a mark should be afforded to those who might be injured by it. Thus, **cancellation** proceedings may be initiated after a mark is registered. The primary difference between oppositions and cancellations relates to their timing: Oppositions must be initiated before registration of a mark, while cancellations are initiated after registration. Additionally, cancellation actions are the only appropriate challenge to marks registered on the Supplemental Register.

Timing Requirements. Any person who believes that he or she will be damaged by the continued existence of a registration (whether on the Principal or Supplemental Register) may petition to cancel the registration. If the mark is registered on the Supplemental Register, a **petition to cancel** can be filed at any time. If the mark is on the Principal Register, the petition to cancel must be filed within five years of the registration date if the grounds are those that would have justified denial of registration to begin with (such as descriptiveness, that

the mark is confusingly similar to that owned by another, that it is primarily merely a surname, and so forth).

After five years, the Lanham Act narrows the grounds for cancellation and the registration may be canceled only if certain grounds are proven, typically that the mark has become generic, the registration was obtained through fraud, the mark is functional, or the mark has been abandoned through nonuse. 15 U.S.C. § 1064.

The Petition to Cancel. The petition to cancel must set forth a “short and plain statement” of the reasons for the petitioner’s belief that he or she will be damaged by continued registration of the mark, state the grounds for cancellation, and identify the owner of the registration. The filing fee for a petition to cancel is \$300 per class of goods or services covered by the registration, and the petition must include proof that it has been served on the mark’s owner or its representative. (See Exhibit 6–1 and Appendix D, Form 9, Petition to Cancel Trademark Registration.)

Grounds for Petition to Cancel. Just as with notices of opposition, petitions to cancel must be brought by one who believes he or she will be damaged by registration of the mark. Similar to the allowance of an opposition to the various O. J. Simpson marks described earlier, the rules relating to those who may petition to cancel a registration appear to have been relaxed in recent years.

Although a variety of grounds may be asserted in a petition to cancel (the mark comprises a flag of another nation, it is primarily merely a surname, it dilutes the mark of another, it contains immoral or scandalous matter, it includes the name of a living person without consent, or it is disparaging), the most common grounds asserted in a petition to cancel are the ones that must be brought within five years of registration: that the mark is merely descriptive or that it is confusingly similar to another mark.

Nature of Proceeding. The proceedings at the TTAB relating to cancellations are nearly identical to those involving oppositions. The petition to cancel will be filed at the TTAB, which will then issue a notice that the proceeding has been commenced and set a time of not less than 30 days for the registrant to answer the petition. The registrant will then file an answer to the petition (typically denying the grounds asserted in the petition and raising various defenses). Discovery will commence (per a schedule set by the TTAB) and depositions may be taken, interrogatories served, and documents requested. The TTAB will set dates for submission of written briefs and will review those briefs and render a decision.

As with oppositions, the vast majority of cancellations will be settled voluntarily by the parties (who will enter into a trademark settlement agreement that is highly similar to the consent to use agreement shown in Appendix D, Form 8) rather than by TTAB decision.

Interferences

If two pending applications conflict or if a pending application conflicts with an existing registration (that is not yet incontestable), the USPTO may declare an **interference**. Interferences are rare proceedings and occur only upon a showing of “extraordinary circumstances.” Typically, if marks conflict, the parties resolve their differences by way of an opposition (if the potentially conflicting mark is not yet registered) or cancellation (if registration has occurred). Generally, only when an opposition or cancellation proceeding is unavailable to a party or will not adequately protect a party may a party request an interference proceeding. The TTAB will then determine the rights of the parties if they cannot reach a voluntary settlement arrangement. Interference actions are so rare that none were filed in 2011.

Suggested Format for Petition to Cancel

Note: This form is the USPTO's previous suggested form for preparing a paper Petition to Cancel a Trademark Registration. It has been replaced by the TTAB's fill-in electronic form and is included here only to show the typical allegations included in a Petition to Cancel.

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE
TRADEMARK TRIAL AND APPEAL BOARD

In the matter of trademark Registration No
For the mark
Date registered

(Name of petitioner)

v.

(Name of registrant)

PETITION TO CANCEL

State petitioner's name, address, and entity information as follows:⁽¹⁾

(Name of individual as petitioner, and business trade name, if any;

Business address)

OR

(Name of partnership as petitioner; Names of partners;

Business address of partnership)

OR

(Name of corporation as petitioner; State or country of incorporation;

Business address of corporation)

To the best of petitioner's knowledge, the name and address of the current owner of the registration are _____
(provide if known)

The above-identified petitioner believes that it/he/she will be damaged by the above-identified registration, and hereby petitions to cancel the same.⁽²⁾

The grounds for cancellation are as follows:

***[Please set forth, in separately numbered paragraphs,
the allegations of petitioner's standing and grounds for cancellation]⁽³⁾***

By _____ Signature⁽⁴⁾
(Identification of person signing)⁽⁵⁾

Date _____

EXHIBIT 6-1 USPTO Form for Petition to Cancel Trademark Registration

Source: <http://www.uspto.gov>

Concurrent Use Proceedings

If parties use similar marks in different geographical areas, a **concurrent use proceeding** may be initiated. Generally, these parties have used their marks in their respective areas in good faith and without knowledge of the other's existence. In a concurrent use application, a party requests that the registration that will ultimately issue be restricted geographically (or perhaps as to specific goods or services offered under the mark), so that on its face the registration will state that the owner has the right to use the mark in certain identified states, cities, or regions in the United States (or only for certain goods or services). Once the applicant files an application for concurrent use, the matter is referred to the TTAB.

In most instances, however, the concurrent use proceeding is initiated after an application for registration is refused on the basis that the mark is confusingly similar to another. The applicant then often approaches the other party in an effort to reach an accord whereby they each agree to use the mark in certain designated geographic markets. A concurrent use proceeding is then initiated at the TTAB. The TTAB will allow concurrent use only if confusion is not likely to result.

In brief, in a typical concurrent use proceeding, the parties “carve up” the United States and each agrees to use his or her mark only in a specific geographical area. Concurrent use proceedings are quite rare. Only 39 were filed in 2011.

You may now view all TTAB proceedings by using the TTAB's system **TTAB Vue**, which allows users to review documents relating to oppositions, cancellations, and so forth, by entering a proceeding number, application number, registration number, party name, or mark.

Nature of TTAB Proceedings

As noted, oppositions and cancellation proceedings at the TTAB are highly similar to civil trials conducted in federal court in that they are governed

largely by the Federal Rules of Civil Procedure and use many of the same disclosure and discovery procedures that are used in federal courts. The TTAB also offers Accelerated Case Resolution (similar to summary judgment procedure in federal courts) when parties are able to agree on or stipulate to many facts and expect to rely on few witnesses. Accelerated Case Resolution affords the parties a final determination of their opposition or cancellation proceeding quickly and without the time and expense of a full trial.

Similarly, the TTAB encourages alternative dispute resolution (typically arbitration or mediation) as a means of settling the issues raised in an opposition or cancellation proceeding. The website of the TTAB lists several alternative dispute resolution services (including the American Arbitration Association), so that the parties might obtain an earlier, mutually agreeable resolution of their dispute, which will save the parties time and money. In fact, the TTAB states that more than 95 percent of TTAB proceedings are resolved prior to any TTAB decision (usually by voluntary settlement).

Appeals from TTAB Decisions

If a party is dissatisfied with the decision of the TTAB in an opposition, cancellation, interference, or concurrent use proceeding, an appeal may be taken to the Court of Appeals for the Federal Circuit (CAFC), located in Washington, DC. The Federal Circuit can set aside USPTO findings only when the findings are arbitrary, capricious, an abuse of discretion, or unsupported by substantial evidence. *Dickinson v. Zurko*, 527 U.S. 150 (1999). Thereafter, an appeal may be taken to the U.S. Supreme Court if the Court, in its discretion, decides to hear the appeal. As an alternative to appealing to CAFC, the party may institute a civil action in federal district court that will determine the issues *de novo*, meaning that it can determine the issues anew and new evidence may be presented. The time to file a notice of appeal or to commence a civil action is two months from the TTAB decision.



CONTACT WITH OTHER PARTIES

Although proceedings at the TTAB may seem informal because all appearances are by “paper” rather than in person, ethical rules governing parties’ behavior still apply. The most important of these is that once a party is represented by counsel, the party may not be contacted directly; all contacts must be made with the party’s attorney (unless the party’s attorney agrees otherwise). Thus, in an opposition or cancellation proceeding, once the adverse party has retained counsel, you may not contact the party himself or herself. Be sure to work directly with the attorney involved.

INFRINGEMENT OF TRADEMARKS

Introduction

Section 32 of the Lanham Act (15 U.S.C. § 1114) provides that the owner of a federally registered trademark may bring a civil action in federal court against any person who uses in commerce, without the registrant’s consent, a mark that is likely to cause confusion with the registrant’s mark or to cause mistake or to deceive. Such an action is for “trademark infringement.”

One need not have a registered mark to bring an action for trademark infringement. If one has a common law mark (namely, one being used without any federal registration for it), one may likewise bring a civil action under Section 43 of the Act (15 U.S.C. § 1125). The test is the same: Is the junior user’s mark likely to cause confusion or mistake or to deceive? Similarly, most state statutes provide that the test to determine whether trademark infringement has occurred is the likelihood of confusion standard. As noted in Chapter 4, this is the same standard the USPTO uses in determining whether a mark in an application should be allowed to proceed to registration.

To prevail on a trademark infringement claim, a mark’s owner must prove two things: that its mark

has priority and that the infringer’s mark is likely to cause confusion.

The central inquiry in an **infringement** action is whether there is a likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled or confused about the source, affiliation, or sponsorship of goods or services. If consumers, upon encountering the defendant’s goods or services, would believe they are produced by or somehow affiliated with a plaintiff’s goods or services, the defendant’s mark infringes the plaintiff’s.

The standard for determining whether there is a likelihood of confusion in an infringement action is the same as that used in the application process when an examining attorney refuses registration of a mark on the basis that it is likely to be confused with that of another prior mark. The standard is also identical to that used in opposition and cancellation proceedings when a party alleges registration of another mark should be denied or canceled because the mark is likely to be confused with that of the opposer or petitioner.

In the typical infringement action, a prior user alleges that a subsequent user is causing confusion in the marketplace by using a confusingly similar mark. In essence, the later or junior user is attempting to get a “free ride” on the reputation and renown of the senior user by adopting a similar mark. In some

instances, however, the second user may become so well known and famous that it dwarfs the prior user and allegedly causes consumers to believe that the prior user's goods come from the subsequent user. The prior owner can then initiate an infringement action for "reverse confusion." Generally, reverse confusion occurs when the later user is a large, powerful company that uses its economic power to saturate the market with advertising, thereby causing confusion. (See Appendix D, Form 10, Complaint for Trademark Infringement.)

Standard for Determining Likelihood of Confusion

Various courts in various circuits have enumerated tests for determining whether one mark is likely to be confused with another. Each of the 13 U.S. Courts of Appeal has its own list of factors to be considered in determining likelihood of confusion (although the tests are highly similar). Generally, no one factor is determinative; courts examine the totality of circumstances in attempting to determine whether infringement has occurred. In general, the following factors are considered in determining whether trademark infringement exists:

- The similarity of the marks in regard to appearance, sound, connotation, and commercial impression
- The similarity of the goods or services offered under the marks
- The similarity in the channels of trade in which the goods or services are offered
- The conditions under which sales are made, namely, whether the purchases are made on impulse or after careful consideration by sophisticated purchasers
- The strength or fame of the prior mark
- Whether there has been any actual confusion
- The number and nature of similar marks on similar goods

- The length of time during which there has been concurrent use with no confusion

See, e.g., E.I. du Pont de Nemours & Co., 476 F.2d 1357 (C.C.P.A. 1973); Restatement (Third) of Unfair Competition § 21 (1995).

These factors are not a list of elements that a plaintiff must prove to prevail in an infringement case. Courts do not simply add up how many of the factors favor the plaintiff and how many favor the defendant and then decide for the party with the most factors. Some factors are, however, given greater weight than others. In general, most courts agree that the similarity of the marks, the similarity of the services, and strength of the senior user's mark are the most important factors in determining whether there is a likelihood of confusion. A determination of likelihood of confusion is made by reviewing all factors and no single factor is determinative. In close cases, when the issue of likelihood of confusion is in doubt, under the **rule of doubt**, courts resolve the doubt in favor of the senior user.

Courts also consider the defendant's intent in adopting the mark when testing for likelihood of confusion. This list of factors is not exhaustive, and other factors that may be relevant to a likelihood of confusion may also be considered. Moreover, the factors are not applied in a rigid or mechanical approach. The significance of any one factor depends upon the facts of a particular case.

Sight, Sound, Meaning, and Connotation.

With dissimilar marks, there is little likelihood of confusion. The more similar marks are, the more likely it is that confusion will occur. The single most important factor in determining likelihood of confusion is the similarity of the marks. Generally, marks are compared in their entirety rather than on the basis of a side-by-side comparison or a dissection of their respective elements inasmuch as courts cannot assume consumers would have the opportunity to make a side-by-side comparison

when making a purchase. Some general rules have emerged:

- Marks may be confusingly similar in appearance notwithstanding the addition, deletion, or substitution of letters. Thus, TRUCOOL for synthetic coolant was held likely to be confused with TURCOOL for cutting oil. *In re Lamson Oil Co.*, 6 U.S.P.Q.2d 1041 (T.T.A.B. 1987).
- Similarity may occur due to sound or pronunciation. For example, BONAMINE was held confusingly similar to DRAMAMINE when both were used for medical goods. *G.D. Searle & Co. v. Charles Pfizer & Co.*, 265 F.2d 385 (7th Cir. 1959).
- Similarity in meaning may result in a finding of confusion. Thus, AQUA-CARE (STYLIZED) was held likely to be confused with WATERCARE when both were used for water conditioning products. *Watercare Corp. v. Midwesco Enter. Inc.*, 171 U.S.P.Q. 696 (T.T.A.B. 1971). Similarly, BUENOS DIAS for soap was held likely to be confused with GOOD MORNING for shaving cream, *In re Am. Safety Razor Co.*, 2 U.S.P.Q.2d 1459 (T.T.A.B. 1987), and CYCLONE and TORNADO were held confusingly similar for wire fencing because their connotations were the same.
- If the marks include compound words, some courts consider whether there is a dominant portion of the mark and give less weight to common or descriptive elements. Thus, there was no likelihood of confusion between SOLVENTOL and SOLVITE. *Solventol Chem. Prods. v. Langfield*, 134 F.2d 899 (6th Cir. 1943). Because the descriptive prefixes *solvent* and *sol* are so commonly used in connection with cleaning compounds, the court held that the remaining portions of the marks were distinguishable.
- When marks comprise both words and designs, greater weight is sometimes given to the wording, which would be used by consumers in requesting the goods or services.

- If an owner has a famous mark or a “family” of marks that has achieved public recognition, such as the family of “Mc” marks owned by McDonald’s, the mark may be more likely to be infringed. Courts have held that marks with a recognizable common characteristic and extensive public recognition and renown deserve more protection than obscure or weak marks. Thus, due to the strong association by the public of the “Mc” prefix with McDonald’s, many attempted uses of a mark including “Mc” have been found to infringe McDonald’s marks. For example, McPRETZEL was held to infringe McDonald’s family of “Mc” marks. *J & J Snack Foods Corp. v. McDonald’s Corp.*, 932 F.2d 1460 (Fed. Cir. 1991).

Similarity of Goods or Services. Generally, the more similar the goods or services are that are offered under the marks, the less similar the marks need be for confusion to be found, and vice versa. The goods or services need not be identical; confusion may be found if they are related in some manner in that they serve the same purpose, relate to the same activities, or are likely to be encountered by the same types of purchasers. Thus, LAREDO for vehicles was held likely to be confused with LAREDO for tires because both relate to vehicles, *In re Jeep Corp.*, 222 U.S.P.Q. 333 (T.T.A.B. 1984), while LEXUS for vehicles was allowed to register over LEXIS for computer-assisted legal research services (because the goods are unrelated).

In 1996, Kellogg Company sued Exxon Corporation for trademark infringement, alleging that the energy company’s tiger character was likely to be confused with Kellogg’s “Tony the Tiger” character used to promote food products. Although the two characters had peacefully coexisted for more than 30 years, when Exxon began selling food products at its gasoline/convenience outlets, Kellogg sued for infringement. The parties ultimately settled their dispute.

This type of infringement is often referred to as **progressive encroachment**, meaning that a once permissible and often low-level use gradually becomes

an infringing use. Some departure in business practices or use of the mark has changed a once acceptable use into an infringement. As another example, for several years the World Wildlife Fund allowed World Wrestling Federation Entertainment to use the initials WWF for certain purposes. After a period of time, the wrestling group, through extensive television and Internet exposure, began such widespread use of WWF and departure from the parties' original agreement that infringement occurred. After an adverse decision in London, the wrestling group agreed to cease use of WWF and refer to itself as WWE.

In many instances, in infringement lawsuits, when the plaintiff is accused of an undue delay in protecting its mark (the defense of laches, discussed later in this chapter), the plaintiff responds by alleging progressive encroachment, namely, that it had no duty to initiate an action until the defendant's use moved from the permissible realm to a squarely competitive use.

Courts also consider that parties may extend their product lines at some future time. Thus, the mark THE PALM for pasta would likely be refused on the basis of confusing similarity to THE PALM®, already registered for restaurant services, because restaurants often sell their food products, and consumers, upon encountering THE PALM for pasta, might believe it was associated with the restaurant of the same name.

Channels of Trade. In determining likelihood of confusion, courts consider to what extent the parties' respective goods or services are distributed through the same trade channels and advertised in the same media. Thus, if products offered under one mark are marketed to wholesalers while those under the other mark are marketed to retailers, there may be little likelihood of confusion because the goods are offered to different classes of purchasers. For example, no likelihood of confusion was found where one party sold computer services under the mark E.D.S. while the other sold power supplies and battery chargers under EDS. Although the marks were

nearly identical and both parties sold in the medical field, the plaintiff sold its E.D.S. data processing services to medical insurers while the defendant sold its EDS batteries to makers of medical equipment. Because purchases would be made by different persons in different departments, coexistence of the marks was unlikely to cause confusion. *Elec. Design & Sales Inc. v. Elec. Data Sys. Corp.*, 954 F.2d 713 (Fed. Cir. 1992).

Consumer Care and Sophistication. In determining trademark infringement, everything hinges on whether there is a likelihood of confusion in the mind of an appreciable number of reasonably prudent buyers. The price level of the goods or services is an important factor in determining the amount of care the buyer will use. If the goods or services are relatively expensive, more care is taken, and buyers are less likely to be confused. Thus, purchasers of inexpensive items such as snack foods and sodas, which are purchased on impulse, do not give much care to such purchases and are more likely to be confused by items that bear similar marks. If the goods are expensive, however, the discriminating purchaser does not purchase casually or on impulse but only after thoughtful consideration. Thus, confusion is less likely than where the goods are inexpensive.

Strength of Marks. "Strong" marks are afforded greater protection than weak marks. Thus, marks that are coined, fanciful, or arbitrary are given greater weight than marks that are suggestive, descriptive, or generic. MUCKY DUCK (& DESIGN) for mustard was held confusingly similar to MUCKY DUCK for restaurant services primarily because MUCKY DUCK was viewed as a unique and memorable mark. *In re Mucky Duck Mustard Co.*, 6 U.S.P.Q.2d 1467 (T.T.A.B. 1988). Thus, the marks EXXON® and XEROX® are given a broad scope of protection inasmuch as these coined or made-up marks had no meaning before their owners built up or developed goodwill in them. Nevertheless, even

weak marks are entitled to protection against similar marks for closely related goods or services.

Actual Confusion. Actual confusion is not required to support a case for trademark infringement; the standard is likelihood of confusion. It is thus unnecessary to show actual confusion to establish likelihood of confusion. However, plaintiffs who can demonstrate that some significant level of actual confusion has already occurred in the marketplace generally prevail in trademark infringement cases. Even a few instances of actual confusion can be highly persuasive. Conversely, if the marks have coexisted for a number of years with no confusion, such is strongly suggestive that confusion is not likely.

Plaintiffs establish actual confusion in two ways: through testimony by consumers who have been confused about the products and by survey evidence. In the first instance, a party's initial knowledge that a competing mark is in the marketplace and is causing confusion may come about through complaint letters from consumers, misdirected orders, or inquiries and e-mail and telephone calls sent to the wrong party. If, however, evidence shows that only a few purchasers were confused, such supports a finding that confusion may be unlikely. For example, when determining that SCOTT® (for paper products) and SCOTT'S LIQUID GOLD® (for furniture polish) were unlikely to be confused, the court noted that only 19 misdirected letters had been received even though some 50 million cans of the furniture polish had been sold during the relevant period. *Scott Paper Co. v. Scott's Liquid Gold*, 589 F.2d 1225 (3d Cir. 1978), *abrogated on other grounds*, 456 U.S. 273 (1982) (holding that a defendant's intent is largely irrelevant in determining if consumers are likely to be confused).

A plaintiff may also demonstrate actual confusion by survey evidence, namely, surveys conducted by experts to determine whether confusion of consumers is likely. However, flaws in survey methodology, the types of questions asked, and the failure

to survey the proper universe of purchasers may weaken the effect of a survey.

Existence of Other Similar Marks. If numerous other marks that are similar to the alleged infringer's mark coexist with the plaintiff's mark, this may be evidence that confusion is unlikely. Defendants thus often conduct comprehensive searches to demonstrate that the field is crowded and that numerous other marks all coexist with the plaintiff's mark. For example, in Arizona, marks including the term *Desert* are common, and the owner of a restaurant operating under the mark DESERT SUN might have a difficult time persuading a court that a bar called the DESERT STAR infringes his or her mark. When numerous similar marks coexist, consumers often become adept in distinguishing those marks from each other. Thus, even the slight differences between DESERT STAR and DESERT SUN may be sufficient to obviate confusion when numerous "Desert" marks coexist. In fact, in *Sun Banks of Florida, Inc. v. Sun Federal Savings & Loan Ass'n*, 651 F.2d 311 (5th Cir. 1981), the court gave special weight to the fact that 25 competing financial institutions used the word *sun* in their titles and that more than 4,400 businesses in Florida used the term, thus making it weak in that locality.

Coexistence of Marks with No Confusion. If the allegedly infringing mark has coexisted with the plaintiff's mark for a period of time and there is no evidence of confusion in the marketplace, courts may find that confusion is unlikely. For example, when STEAMEX DELUXE 15 XL coexisted with Oreck's XL mark for 17 months with no instances of confusion, the court held there was no infringement, particularly where the plaintiff's "XL" mark was weak. *Oreck Corp. v. U.S. Floor Sys., Inc.*, 803 F.2d 166 (5th Cir. 1986).

Intent of Alleged Infringer. Proving an alleged infringer's intent or lack of good faith is not required to sustain an action for trademark

infringement. Similarly, a defendant's good faith is not a defense to trademark infringement. However, if a party adopts a confusingly similar mark with the intent of reaping the benefits of the prior user's goodwill, such tends to weigh in favor of confusing similarity; the infringer would not have willingly adopted a similar mark unless he or she intended to trade off another's established reputation and divert customers.

When the alleged infringer had actual knowledge of the plaintiff's mark or had a prior business relationship with the plaintiff, such tends to suggest an intent to cause confusion. On the other hand, conducting a comprehensive search and relying on advice of counsel tend to rebut any inference of an intent to cause confusion. In fact, in *Frehling Enterprises, Inc. v. International Select Group, Inc.*, 192 F.3d 1330 (11th Cir. 1999), the court held that failure to conduct a trademark search was "intentional blindness" and evidence of improper intent. Further, the court held that if it can be shown that a defendant adopted a plaintiff's mark with the intention of deriving a benefit from the plaintiff's business reputation, *this fact alone* might be enough to justify the inference that there is confusing similarity. *Id.* at 1340. As noted in Chapter 3, however, failure to conduct a trademark search before adopting a mark, without more, is carelessness but does not establish intent to mislead or cause consumer confusion.

(See Exhibit 6–2, Anatomy of an Infringement Case.)

Defenses to Infringement

There are a variety of defenses that may be raised by one accused of trademark infringement. They include the following:

- The defendant may assert that an *abandonment* of plaintiff's rights in the mark has occurred through nonuse prior to the time the defendant

began using the mark or through a naked license. Nonuse for three consecutive years is *prima facie* evidence of abandonment.

- The defendant may allege that the plaintiff's mark has become *generic* and is thus undeserving of exclusive appropriation by the plaintiff; thus, for example, because the word *bundt* has been held to be generic for a certain type of ring cake, anyone can use this word without fear of infringement.
- A defense may be raised that the plaintiff's mark is *merely descriptive* and that it has not acquired secondary meaning, and, thus, it is undeserving of protection.
- The defendant might assert that the plaintiff's registration was procured by *fraud*, is thus invalid, and cannot support an action for infringement.
- The accused infringer might assert **estoppel**, that is, that the plaintiff is *estopped* or precluded from asserting trademark infringement because it led the defendant to believe that it could use the mark (e.g., by allowing numerous other similar uses to go unchallenged).
- The defendant might assert **acquiescence**, a defense that alleges that words or conduct on the plaintiff's part amounted to an assurance to the defendant-infringer that plaintiff would not assert its trademark rights against the defendant.
- The defendant might assert that the plaintiff has **unclean hands** and has committed such a serious wrongful act (such as wrongfully using a trademark notice when it had no right to do so) that relief should not be awarded to it.
- The defendant might assert **laches**, namely, that the plaintiff delayed an unreasonable amount of time to bring the action and this delay has prejudiced the defendant (who, for example, during the period of delay, expended significant time and money in promoting the

Case:	<i>Phat Fashions, L.L.C. v. Phat Game Athletic Apparel, Inc.</i> , No. 01C-1771, 2002 WL 570681 (E.D. Cal. Mar. 20, 2002).	
Background:	In 1992, Russell Simmons, the cofounder of Def Jam Records, founded Phat Fashions, a manufacturer and distributor of urban and athletic apparel offered under the registered mark PHAT FARM® and other marks, including PHAT® and BABY PHAT®. In 1998, defendants began to sell athletic apparel and accessories bearing the mark PHAT or PHAT GAME. Defendants filed a trademark application to register PHAT GAME, and plaintiff brought an action for trademark infringement, unfair competition, and dilution.	
Marks:	Plaintiff's Marks: PHAT FARM® and PHAT® Defendants' Mark: PHAT GAME	
Analysis:	After stating that to prove trademark infringement a plaintiff must show he or she has a valid, protectable trademark and that the defendant's mark created a likelihood of confusion, the court analyzed the various infringement factors as follows:	
Factor	Court Analysis	Court Conclusion
Strength of the Mark	The plaintiff's PHAT mark was arbitrary and thus strong and was well known by the purchasing public.	First factor weighs heavily in plaintiff's favor.
Similarity of Marks	First word (<i>phat</i>) in each mark is dominant feature and consumers would conclude that the word <i>phat</i> in defendants' mark refers to plaintiff.	Second factor weighs in plaintiff's favor.
Similarity of Goods	Marks are both used on identical goods (namely, wearing apparel).	Third factor weighs in plaintiff's favor.
Channels of Trade	Goods are sold for similar prices and there is similarity in marketing channels used for distribution.	This factor weighs in plaintiff's favor.
Purchaser Care	Both parties market to young people, and prices for many goods are under \$30. These young consumers are often not careful purchasers, especially when prices are low.	Because of youth of defendants' market and relatively low prices, this factor weighs in plaintiff's favor.
Actual Confusion	Actual confusion is not necessary to find trademark infringement.	Lack of actual confusion weighs only slightly in defendants' favor, if at all.
Intent of Defendants	Defendants knew of plaintiff's marks and had conducted some research and trademark searches. Thus, defendants deliberately adopted their mark to obtain a business advantage.	This factor weighs heavily in plaintiff's favor.
Holding:	Defendants infringed plaintiff's trademarks and engaged in unfair competition as well as dilution of plaintiff's trademarks. Defendants were ordered to cease using PHAT GAME, disable their Internet website (http://www.phatgame.com), and transfer their domain name to the plaintiff.	

EXHIBIT 6-2 Anatomy of an Infringement Case

mark and thus should be allowed to continue using the mark).

- The defendant may allege the mark is *functional* and thus unprotectable.
- The defendant might allege that its use is a mere *parody* and is protected by the First Amendment.
- The defendant may assert that its use was a **fair use**, meaning that it did not use the plaintiff's name or mark as a trademark but merely to describe its own goods in a general fashion. In addition to this traditional fair use defense, a **nominative fair use** defense may be asserted when a defendant has used a plaintiff's name, not to identify the defendant's goods but merely to name the plaintiff's goods. Thus, when a national newspaper asked its readers which band member of the New Kids on the Block was their favorite, such was a nominative fair use and not an infringing use of the band's trademark. A nominative fair use is not infringement because it does not imply sponsorship or endorsement by the trademark owner.

There is no statute of limitations for actions brought under the Lanham Act for trademark infringement (primarily because infringement is a continuing offense), and typically laches is the defense raised to assert that an action is time-barred. If there is a need for a statute of limitations in a federal court action for trademark infringement, most courts will look to the forum state's law and apply its statute of limitations.

One of the more interesting modern defenses to infringement is a free speech defense. Artist Tom Forsythe was sued by Mattel Inc. (owner of the famous BARBIE® mark) for posing BARBIE dolls in inappropriate positions, such as mooning the camera. Forsythe prevailed in a suit by Mattel on the basis that his work was legitimate social commentary protected under the First Amendment and

was not a commercial use of Mattel's mark. *Mat-tel Inc. v. Walking Mtn. Prods.*, 353 F.3d 792 (9th Cir. 2003). See Chapter 14 for further discussion of this case.

Monitoring and policing for misuse of trademarks is critical because a failure to assert an infringement claim promptly might give rise to successful defenses based on estoppel, acquiescence, or laches. As discussed in Chapter 5, policing trademarks has become more complicated due to the thousands of misuses that can appear on the Internet. Simply enter "Jell-O" into any search engine and you will be presented with hundreds of misuses of Kraft's registered trademark. Because trademark owners must vigorously enforce their marks or they risk loss of trademark rights, the Internet presents special problems for trademark owners. Numerous companies have hired agencies to scour the Internet for misuses of their marks and then send e-mail requests asking the user to cease use of the registered mark.

A trademark owner who discovers a low level of infringement is thus faced with a dilemma: If it allows the use to proceed unchallenged, it may later be accused of being estopped to protect its rights due to its delay in enforcing its rights. On the other hand, if it rushes to the courthouse and sues for infringement, it may expend time and money against a defendant who, even without any action by the plaintiff, may eventually fail in its business and stop using the mark within a fairly short period of time. The doctrine of progressive encroachment attempts to balance these conflicts. Trademark owners are thus allowed to permit some low level or *de minimis* infringement and wait to challenge a defendant only when that defendant gradually begins causing serious consumer confusion, escalates its use, expands its trading area, and so forth. (See Exhibit 6-3.)

Trademark owners should thus maintain a consistent level of enforcement and protection for

In 1969 the Kern family registered the trademark DERBY-PIE® for their chocolate and walnut pie first served in their restaurant in Kentucky. Since then, the family has challenged a variety of users of its registered mark, including church cookbooks, *Bon Appetit* magazine, and *The Washington Post* newspaper, all of which published recipes for “Derby Pie.” In fact, the family has hired an individual to scour the Internet to find offending uses of its mark. The users are then sent an e-mail request to cease using the registered trademark. If the misuse persists, the family has often sued, instituting about 25 lawsuits over the years to protect the mark, including a lawsuit against the Public Broadcasting Service, which featured actress Annie Potts baking her grandmother’s “Derby Pie” on a televised broadcast. Thus, there is only one DERBY-PIE®. Everyone else is baking chocolate nut pie.

Similarly, Unilever has hired an agency to review the Internet to find infringing uses of its marks POPSICLE®, CREAMSICLE®, and FUDGSICLE®, and Pillsbury has a registration for BAKE-OFF® and will not allow other baking contests to use the name. Finally, your recipes can call for “hot sauce” or “chocolate chips,” but not TABASCO® or TOLL HOUSE® morsels.

EXHIBIT 6–3 Case Study: Food Fights

their marks; however, the need for active enforcement should be balanced by the reality that it may be impossible to detect and stop all infringing uses, especially insignificant and minor uses of the mark. Some experts suggest using an initial warning letter, informing the user of the owner’s rights and stating that the trademark owner will continue to monitor the user to ensure infringement does not occur. In any event, courts seem to be recognizing this dilemma, and at least one judge has remarked that a trademark owner is not bound to “take on” more than one infringer at a time.

Remedies for Infringement

A plaintiff who is successful in proving trademark infringement might obtain a variety of remedies, including the following:

- An **injunction** preventing the defendant from further use of the confusingly similar mark, ordering an infringer to disable an offending website, or ordering the defendant to print a notice (called a *disclaimer*) on its goods that it is not affiliated with the plaintiff (e.g., in
- one case, the publisher of *Polo* magazine was ordered to issue a disclaimer stating, “not affiliated with Polo Ralph Lauren,” to avoid consumer confusion).
- *Monetary damages* to compensate the plaintiff for the damage it has suffered, including actual damages due to lost sales and injury to its reputation and goodwill (which damages may be trebled, if necessary to compensate the plaintiff), and an accounting of the profits earned by the defendant (however, generally, courts award damages only upon a showing that consumers were actually confused or that the infringement was willful). Similarly, profits are usually not awarded unless there is a showing of willful infringement. No profits and no damages may be recovered unless the defendant had actual notice of the trademark registration—thus, a registrant should always use the registration symbol (®) to afford such notice.
- *Seizure or destruction* of the infringing articles and related marketing materials.
- *Costs* of the action, including attorneys’ fees (in exceptional cases) and actual expenditures.

Courts have noted that injunctive relief is the “remedy of choice” for infringement because stopping the infringing use is usually the trademark owner’s primary goal. If an infringing use is for a similar good or service, a broad injunction is especially appropriate. As to monetary relief, the largest trademark verdict to date is \$143 million awarded against Pfizer Inc. for use of the mark TROVAN® registered to another, although the case was reversed on appeal. *Trovan Ltd. v. Pfizer Inc.*, No. CV-98-0094, 2000 WL 709149 (C.D. Cal. May 24, 2000). Although a jury rendered a verdict of \$304 million against Payless Shoesource in 2008 stemming from its sale of two- and four-striped shoes that were held likely to be confused with adidas’s famous Three Stripe mark, the verdict was later reduced to \$65 million (in part because Payless had not acted willfully during the entire period and there was no evidence that adidas had lost any sales). *adidas Am., Inc. v. Payless Shoesource, Inc.*, No. CV-01-1655KI, 2008 WL 4279812 (D. Or. Sept. 12, 2008).

Resolving an Infringement Dispute

Because an infringement action, like any civil action, is expensive and time-consuming, parties often try to resolve trademark disputes between themselves before or during the pendency of litigation. Typically, a party who believes its mark is being infringed will send a cease and desist letter (see Exhibit 6–4) to the alleged infringer, notifying the infringer of its rights to the mark and demanding that the infringer cease any further use of the confusingly similar mark. Even if the cease and desist letter does not achieve the goal of convincing the infringer to stop use of the mark, it puts the infringer on notice of the prospective plaintiff’s rights and thus serves to cut off any defense of good faith or lack of knowledge of the existence of the prior mark the infringer may later attempt to assert. Moreover, as discussed previously, informing another of a registration may allow one to recover damages because no damages are allowed until after

a potential defendant has notice of a registration, and infringing after such notice may show willfulness. Investigation should be conducted before sending a threatening letter to ensure the alleged infringer is in fact the junior user. Otherwise, the alleged infringer may turn the tables on the sender of the letter.

The accused infringer typically responds to the cease and desist letter by denying its allegations, asserting various defenses, or suggesting a compromise. A compromise might be reached by the parties agreeing to use their marks only in certain geographic areas. The accused infringer might agree to place a prominent notice on its goods that it is not affiliated in any way with the prior user (although called a *disclaimer*, this notice is different from the disclaimer used in the prosecution process when an applicant disclaims or agrees it has no exclusive rights in a descriptive term in a mark). The parties might agree that the defendant should modify its mark in some way or gradually phase out use of the infringing mark. They may enter into a monetary arrangement whereby the infringer pays a sum of money to the senior user to license the mark. One party may acquire the other’s mark by outright purchase. One party might agree to assign its interest in the mark to the other, who then permits or licenses the original assignor to use the mark. They may agree to have an arbitrator resolve the dispute rather than going to federal court.

Typically, the arrangement between the parties is set forth in a written agreement, usually called a “trademark settlement agreement.” (See Appendix D, Form 11, for a sample trademark settlement agreement.)

Some companies with large IP portfolios purchase insurance to protect them against trademark infringement suits (both the costs of defending the action and any monetary damages awarded are usually covered). These policies can be expensive and often include various exclusions. For example, if a party acts fraudulently, there is usually no insurance coverage for its actions.

June 24, 2011

Mr. Michael Taylor
InterSys Products, Inc.
2957 Fifth Avenue
New York, NY

Re: Trademark BENSON BEAR
U.S. Reg.. No. 1,423,293

Dear Mr. Taylor:

Watson Inc. ("Watson") is the owner of U.S. Trademark Registration No. 1,423,293 for the mark BENSON BEAR used by Watson since 1998 in connection with its well-known stuffed plush animal toy. A copy of Watson's registration certificate for BENSON BEAR is enclosed. This trademark is a valuable asset of Watson, which has expended a great deal of time and effort in establishing and maintaining consumer recognition of the mark.

Watson recently became aware that InterSys Products, Inc. ("InterSys") is using the mark BENSEN BEAR in connection with stuffed toys. Your use of the mark BENSEN BEAR is likely to cause confusion, mistake, or deception of the purchasing public and the trade as to the source and origin of the goods offered under the respective marks, thereby causing damage and irreparable injury to Watson and diminishing the valuable goodwill associated with Watson's mark. Consequently, InterSys's conduct is an infringement and violation of Watson's proprietary rights in its mark, unfair competition, false advertising, and false designation of origin under applicable state laws and the U.S. Trademark Act.

Watson therefore demands that InterSys immediately cease and desist from using the mark BENSEN BEAR or any other mark confusingly similar to Watson's mark, and cease and desist from marketing, selling, or distributing any goods or materials bearing the mark or any confusingly similar name or mark.

Because this matter is of significant importance to Watson, we request that you respond within 10 days of the date of this letter to confirm your intention to cease and desist from any further use of BENSEN BEAR or any other mark confusingly similar to any of Watson's marks. If we do not receive a satisfactory response within this time period, we will consider all available remedies under state and federal law, including requesting injunctive relief and the recovery of damages for trademark infringement, which damages may be trebled by a court, and attorneys' fees and costs incurred by Watson in protecting its mark.

We sincerely desire a quick and amicable resolution to this matter. Therefore, we look forward to your timely reply.

Sincerely,

EXHIBIT 6-4 Cease and Desist Letter

Trademark Infringement Litigation

If the dispute cannot be resolved, the plaintiff will file an action for infringement in federal district court. The action will be governed by the Federal Rules of Civil Procedure relating to federal civil actions

generally; these rules set the times for responding to the complaint, matters pertaining to motions and discovery, and any other litigation-related matters. Within one month after the action is commenced (and upon its conclusion), the clerk of the court must provide notice thereof to the USPTO so notice

of the action and its conclusion can be published in the file wrappers relating to the marks. If only state claims are involved (for example, one is suing for infringement of a common law trademark rather than a federally registered trademark), the action may be brought in state court.

If the defendant has a cause of action relating to the trademark to assert against the plaintiff, it must be asserted by way of a counterclaim in the litigation so that all disputes between the parties affecting the mark can be resolved at the same time.

A claim may also be made for **contributory infringement** when one party aids another to infringe a party's mark. Thus, assisting in infringement or inducing infringement is also actionable. For example, the owner of copyrights and trademarks was held to have stated a claim against the owner of a swap meet where counterfeit audio recordings were sold by individual vendors because the swap meet owner should not be allowed to disregard its vendors' blatant infringement, especially where it could control the activities of the vendors and evict them from the swap meet for such activities and benefited financially from their infringing activities. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

After the complaint, answer, and counterclaim have been filed, various motions may be made. Discovery will commence. The plaintiff and defendant will take depositions to obtain testimony of those who may have information about the case (e.g., the plaintiff may depose individuals in the defendant's marketing department to determine how the defendant came to adopt its mark); interrogatories may be served on either party to obtain information, such as to inquire about experts either side may intend to call or the existence of documents; and each party may ask the other to produce relevant documents, such as surveys or complaints by consumers indicating confusion.

Ultimately, if the matter cannot be resolved by private agreement, it will proceed to trial. Either

party may request a jury trial: otherwise, a judge will render the decision. The decision in the case may be appealed to the U.S. Court of Appeals for the circuit in which the district court is located. Thereafter, the matter may be appealed to the U.S. Supreme Court, if the Court decides, in its discretion, to hear the appeal.

Alternative to Infringement

As an alternative to suing for trademark infringement in the United States for another's act of importing a trademarked invention, a trademark owner may bring a proceeding before the International Trade Commission to block the infringing device from entry into the United States. The International Trade Commission (ITC) is an independent quasi-judicial federal agency with broad responsibilities in matters of trade. Under Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337), as amended, the ITC conducts investigations into allegations of unfair practices in import trade, including trademark infringements. Typically, a party files a complaint with the ITC alleging an act of trademark infringement. The ITC then examines the complaint and determines whether an investigation, called a Section 337 investigation, should be conducted. If an investigation is ordered, an administrative law judge is assigned to conduct it. A Section 337 investigation is somewhat similar to a trial in that motions will be made, discovery will occur, parties will testify, and an evidentiary hearing will be held. The administrative law judge will render an initial decision as to whether Section 337 has been violated.

If Section 337 has been violated, the ITC may issue an **exclusion order**, which bars the products from entry into the United States (which order is enforced by the U.S. Customs and Border Protection) and/or may issue a cease and desist order, which directs violators to cease certain actions. An award of money damages is not available as a remedy for violation of Section 337.

In recent years, Section 337 investigations have become increasingly popular with trademark holders, primarily because of the strong remedies the ITC can order and because the proceedings are far less expensive and more expeditious than infringement trials in U.S. courts. For example, ITC investigations are almost always completed within 12–15 months, while getting to trial in the U.S. district courts may take two or more years. In an era of growing globalization and outsourcing, the ITC has become an increasingly popular forum for blocking imported goods that infringe U.S. trademarks. Decisions may be appealed to the Court of Appeals for the Federal Circuit.

DILUTION OF TRADEMARKS

Introduction

In January 1996, the long-awaited Federal Trademark Dilution Act (15 U.S.C. § 1125(c)) was enacted to provide special protection to “famous” marks when the owners of those marks are unable to establish likelihood of confusion and thus avail themselves of the many avenues afforded to protect marks from confusingly similar uses. Moreover, the act was intended to bring uniformity to the protection of famous marks, which were previously protected on an inconsistent basis in the various states.

Dilution refers to unauthorized acts that tend to blur the distinctiveness of a famous mark or to tarnish the mark by using it in a disparaging or unsavory way. For example, use of the mark TIFFANY® by a restaurant in Boston was found not likely to be confused with TIFFANY for jewelry store services in New York, inasmuch as no reasonable consumer would believe the uses were related or that the restaurant services were sponsored by or originated with Tiffany jewelers. Nevertheless, use by the restaurant was held to be a dilution of Tiffany jeweler’s famous mark and was enjoined because

of the erosion of the public’s identification of a very strong trademark with Tiffany jewelers alone. *Tiffany & Co. v. Boston Club, Inc.*, 231 F. Supp. 836 (D. Mass. 1964).

Another well-known case involved the use of DOGIVA in connection with dog biscuits. Clearly, consumers would not be confused upon encountering the mark and believe that the dog biscuits were related to GODIVA® brand chocolates. However, use of DOGIVA on such a product tended to injure or tarnish the plaintiff’s business reputation and was enjoined. *Grey v. Campbell Soup Co.*, 650 F. Supp. 1166 (C.D. Cal. 1986).

Finally, use of a bottle in the shape of that protected by Coca-Cola Company for white bubble gum resembling cocaine was held to tarnish Coca-Cola’s well-known and famous marks and was enjoined even though, under traditional likelihood of confusion analysis, there would have been no infringement.

The primary focus of the dilution statute is to preserve a trademark owner’s property rights and goodwill in its famous mark, which might evaporate if junior users were allowed to use the mark even on unrelated goods. Dilution is generally defined as the lessening of the capacity of a famous mark to identify and distinguish goods and services.

The chief distinction between an infringement claim and a dilution claim is that one can prove dilution without a showing of likelihood of confusion. Moreover, injunctive relief is available once dilution is proved, but monetary damages are awarded rarely and only on a showing of willfulness.

To prevail on a dilution claim, a plaintiff must show four things.

1. Its mark is famous (either inherently or through acquired distinctiveness).
2. The defendant is making a commercial use of its mark in commerce.
3. The defendant’s use began after the plaintiff’s mark became famous.

4. The defendant's use of the mark is likely to cause dilution by blurring or tarnishing the famous mark, whether or not there is actual confusion or actual economic injury to the plaintiff.

In October 2006, Congress revised and superseded the Federal Trademark Dilution Act by enacting the Trademark Dilution Revision Act to provide that injunctive relief can be obtained against use of a mark that is *likely to cause dilution* by blurring or tarnishing a famous mark. This extensive amendment to the Federal Trademark Dilution Act eliminated the need to prove *actual dilution*, which had been required under the U.S. Supreme Court case *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003). (After 10 years of litigation, the Sixth Circuit held in 2010 that the mark "Victor's Little Secret" for adult novelty stores tarnished the famous VICTORIA'S SECRET® marks. *Moseley v. V Secret Catalogue, Inc.*, 605 F.3d 382 (6th Cir. 2010), *cert. denied*, 131 S. Ct. 1003 (2011)). As discussed in Chapter 23, under the Act, famous trade dress can also be diluted.

Blurring and Tarnishment

Under federal law, there are two types of unauthorized use that constitute dilution: blurring and tarnishment. **Blurring** is the whittling away of an established trademark's selling power through its unauthorized use upon dissimilar products. Examples might include STARBUCKS PENS, SHELL COFFEE, PEPSI VIDEO, or the use of TIFFANY for restaurant services as described earlier. Such uses would eventually drain away the distinctive power of the original mark even if they did not cause consumer confusion. Use in commerce with many unrelated goods weakens or dilutes the ability of the mark to identify one source. **Tarnishment** is an association arising from the similarity between a mark and a famous mark that harms the reputation of the famous mark. Generally, tarnishment occurs when

a mark is linked to products of an inferior quality or when the mark is portrayed in an unwholesome or embarrassing context (such as a poster reading "Enjoy Cocaine" in a script and color identical to that used by Coca-Cola Company or the substitution of an expletive for "Dunkin" in the mark DUNKIN' DONUTS®). Tarnishment is often found when the senior mark is linked to sexual activity, obscenity, or illegal activity. For example, General Electric's mark was found to be tarnished by GENITAL ELECTRIC, and Anheuser-Busch (owner of the famous BUDWEISER beer mark) was able to enjoin the distribution of BUTTWEISER T-shirts. In many cases alleging dilution by tarnishment, defendants allege their use is protected as free speech or parody. Thus, because of the strong protection afforded for free speech, cases involving dilution by blurring tend to be more common than cases involving dilution by tarnishment.

Federal Remedies for Dilution

The Act provides a remedy for owners of famous marks in federal court. Under the Act, a mark is famous if it is widely recognized by the general consuming public. Thus, marks that are famous only in a niche market or in a limited geographic area are not protected against dilution. Marks are distinctive whether they are inherently distinctive or whether they have acquired distinctiveness. In determining whether a mark possesses the requisite degree of fame or recognition, a court may consider the following factors: the duration, extent, and geographic reach of advertising and publicity of the mark; the amount, volume, and geographic extent of sales of goods or services offered under the mark; the extent of actual recognition of the mark; and whether the mark is federally registered. Following are some marks that cases have held to be famous under the foregoing criteria: PEPSI®, STARBUCKS®, VISA®, and NIKE®. Whether a mark is "famous" is determined on a case-by-case basis.

An owner who prevails is entitled to injunctive relief, destruction of all diluting goods, and, if willful intent to dilute is shown, actual damages, treble damages, the violator's profits, and costs.

Under the statute, certain types of conduct are exempt from liability, such as any fair use of a famous mark (whether classic fair use or nominative fair use), use in comparative advertising, parody, noncommercial use, and news commentary and reporting. These uses are protected under the First Amendment. Thus, for example, when a vocal critic of Wal-Mart imprinted the words WAL-QAEDA and WALOCAUST on t-shirts and mugs, such was held not to dilute Wal-Mart's marks because it was an artistic work of parody and noncommercial speech. *Smith v. Wal-Mart Stores, Inc.*, 537 F. Supp. 2d 1302 (N.D. Ga. 2008). Similarly, when presidential candidate Ralph Nader used an ad similar to MasterCard's well-known "Priceless" campaign ("There are some things money can't buy—for everything else there's MasterCard"), the court held that such political use was specifically protected noncommercial use under the federal dilution statute. *MasterCard Int'l Inc. v. Nader 2000 Primary Comm.*, No. 00CIV6068 (GBD), 2004 WL 434405 (S.D.N.Y. Mar. 8, 2004).

Many cases discussing dilution relate to the use of Internet addresses that dilute famous marks. Thus, the address "candyland.com" for sexually explicit goods and services was held to dilute the famous CANDYLAND® mark owned by Hasbro Toys, *Hasbro Inc. v. Entm't Group Ltd.*, 40 U.S.P.Q.2d 1479 (W.D. Wash. 1996), and the address "adultsrus.com" for sexual paraphernalia was held to dilute the famous TOYS R US® mark owned by Toys "R" Us, Inc. *Toys "R" Us, Inc. v. Akkaoui*, No. C 96-3381 CW, 1996 WL 772709 (N.D. Cal. Oct. 29, 1996).

RELATED TRADEMARK CLAIMS

Trademark owners often assert additional claims in actions for trademark infringement. For example, in *Phat Fashions* (see Exhibit 6-2), the plaintiff alleged

trademark infringement, dilution, and unfair competition, all arising out of the same course of conduct. Trademark owners may also assert claims under state law. Approximately four-fifths of the states have their own dilution statutes, and a plaintiff may allege injury under both federal and state law—although if the defendant in a state action alleging dilution has a valid federal trademark registration, such is a complete defense to the state dilution action, per 15 U.S.C. § 1125(c)(6). Thus, there is an array of various causes of action a trademark owner might assert.

Importation of Gray Market Goods

In many instances, U.S. trademark owners grant rights to those in foreign countries to manufacture goods that bear their U.S. trademark. After the goods are distributed in the foreign markets bearing this valid U.S. trademark, other parties buy them (often in bulk) and import them back into the United States to resell to others, in competition with the U.S. trademark owner. These goods are called **gray market goods** or **parallel imports**. The law relating to the permissibility of such importation is unsettled, with most courts holding that the import and sale of *genuine* gray market goods is not infringement, because once a mark owner sells goods bearing its mark, it cannot prevent subsequent owners from reselling the goods if there is no deception or consumer confusion, the goods are physically the same as those sold by the U.S. trademark owner, and the U.S. registrant and the foreign manufacturer are the same or related entities. The situation is analogous to resales in the United States. For example, a consumer who purchases a baby stroller bearing the GRACO® mark can later resell it to another. This doctrine is referred to as the **exhaustion theory** or **first sale doctrine** inasmuch as once the first lawful sale is made, the trademark owner's rights are exhausted or extinguished in regard to subsequent sales. Allowing importation of genuine gray market or parallel goods is consistent with the exhaustion theory. As discussed

in Chapter 16, recent holdings in the copyright field are also consistent with this theory.

However, if the gray market goods are materially different from the authorized imports, then it may create a likelihood of confusion and the imports may be banned. For example, imports of TIC TAC® breath mints were banned when they were materially different in size and caloric content from the authorized products sold in the United States. *Ferrero U.S.A. Inc. v. Ozak Trading, Inc.*, 753 F. Supp. 1240 (D.N.J.), *aff'd*, 935 F.2d 1281 (3d Cir.) (unpublished table decision), *rev'd on other grounds*, 952 F.2d 1944 (3d Cir. 1991) (reversing the award of attorneys' fees). Conversely, where circuit breakers that were imported into the United States were identical to ones made for the U.S. market, there was no likelihood of consumer confusion and no trademark infringement or unfair competition. The sale of such genuine goods bearing a true mark is not infringement even though the sale is without the trademark owner's consent. *Am. Circuit Breaker Corp. v. Or. Breakers Inc.*, 406 F.3d 577 (9th Cir. 2005).

In sum, as in any trademark infringement case, the central inquiry in a gray market goods import case is whether the goods create a likelihood of confusion of U.S. consumers.

Counterfeiting

Trademark **counterfeiting** is a particularly specious type of infringement. A counterfeiter applies the trademark owner's mark to goods or services that do not originate with the owner. Perhaps the best examples of counterfeiting or "black market" activities involve the unauthorized sale of status items, such as scarves bearing the HERMES® mark, handbags bearing the KATE SPADE® or LOUIS VUITTON® marks, watches bearing the ROLEX® mark, and other high-end or designer items that are sold on the Internet, at flea markets, corner stands, and "on

the street." The items sold and that bear the mark are not genuine and are intentionally sold for the express purpose of trading off the owner's established goodwill and reputation.

Universities, athletic teams, and rock bands that own valuable marks often have their marks counterfeited and placed on counterfeit goods, primarily T-shirts, sweatshirts, and jackets. To deter counterfeiters, statutes allow for the immediate impoundment and destruction of the "knockoff" goods; awards of treble damages, actual damages, and attorneys' fees; and criminal penalties. Before the 2008 Olympics in Beijing, law enforcement agencies seized nearly 30,000 items of fake Olympic merchandise and souvenirs. Similarly, Swiss customs officials have estimated that as many as 40 million counterfeit watches are put into circulation each year. Unfortunately, however, seizing the goods provides little long-term benefit, inasmuch as the counterfeiter simply establishes a new website or moves its stall or stand to some other location the next day.

Courts have also considered under what circumstances Internet providers can be liable for infringement. In 2004, after Tiffany discovered that nearly 75 percent of the merchandise sold on eBay's Internet auction site as genuine Tiffany products was fake, it sued eBay for contributory infringement. In 2010, the Second Circuit Court of Appeals held that a service provider such as eBay becomes liable for contributing to infringement only when it continues to provide services to a specific individual who it knows or has reason to know is selling counterfeit goods and that it is the trademark owner's responsibility to police its marks. In the years before and between the filing of the complaint and the ultimate decision, eBay implemented a number of measures to reduce counterfeiting, including promptly taking down listings upon being alerted to infringements and enhancing its fraud search engine, which is designed to identify listings of counterfeit goods.

Tiffany (NJ) Inc. v. eBay Inc., 600 F.3d 93 (2d Cir.), *cert. denied*, 131 S. Ct. 647 (2010). eBay has battled similar cases in other parts of the world with less success. In 2008, a French court ordered eBay to pay a \$61 million fine for selling counterfeit Louis Vuitton goods on its site, and in 2011, the European Union's highest court held that eBay may be liable if it knows counterfeit materials are being sold on its auction site and plays an active role in selling the materials.

Another effort to stop counterfeiting is the In Our Sites program, an initiative of the federal government, in which websites that sell counterfeit goods are disabled and seized. The program is highly criticized by civil rights advocates, but as of the writing of this text, more than 350 sites had been shut down and seized. Those who access the site are then provided with a public service announcement educating them about counterfeiting. This topic is further discussed in Chapter 15.

Even the wine industry has been recently plagued by counterfeits. Fake French labels have been placed on wine produced in China. To combat counterfeit products, many winemakers and luxury-goods makers are now etching serial codes on bottles and embedding holograms and microchips on their products, which can be read with optical scanners.

In recent years, counterfeiting has taken on an even darker side, with fake medicine, baby formula, and airplane parts sold as genuine, causing not only consumer confusion but also actual harm and injury. For example, in fall 2010, the Department of Justice charged a defendant with trafficking in counterfeit integrated circuits smuggled from China and that were intended for use by the U.S. military.

The United States works with various countries to attempt to curb counterfeits, and the new Intellectual Property Enforcement Coordinator (or IP "Czar," created under the PRO-IP Act of 2008) created an IP Task Force in 2010 to

combat counterfeiting. The Task Force is particularly interested in protecting the public health and safety by combating counterfeit pharmaceuticals and items such as automobile brake pads, airplane parts, and computer circuits. For example, its Operation Pangea III action in 2010 targeted counterfeit drugs sold over the Internet and resulted in a seizure of 2.3 million fake pills and the taking down of nearly 300 websites. Forty-five countries participated in the Operation. The federal government has developed a website (<http://www.stopfakes.gov>) and maintains a hotline for reporting of IP theft. The website provides information about intellectual property rights in 18 countries, including China and Russia, and offers useful information to business owners about protecting their IP rights at home and abroad.

Under the PRO-IP Act of 2008, the penalties for counterfeiting have increased. In counterfeiting cases, courts *must* award treble damages and attorneys' fees if a defendant intentionally engages in counterfeiting (unless extenuating circumstances are shown). Moreover, a plaintiff who prevails in a civil counterfeiting case may elect to seek statutory damages (up to \$2 million per counterfeit mark per type of good, if use of the counterfeit mark was willful) instead of proving actual damages. In addition to increasing the range of statutory damages, the Act increased criminal penalties in cases of trafficking in counterfeit goods if the defendant knowingly or recklessly caused or attempted to cause serious bodily injury or death resulting from the counterfeit goods. These enhanced remedies are designed, in part, to stem the flood of counterfeit medicines and parts. For example, in fall 2010, the Department of Justice secured a conviction of a defendant for conspiring to traffic in counterfeit Viagra pills, which he attempted to sell online, that were found to contain a substance used to manufacture sheetrock or drywall. Similarly, in August 2010, a defendant was sentenced to prison for knowingly selling bogus cancer

drugs. Judges may also grant *ex parte* (a request by one party without notice to the other) orders to seize counterfeit goods (although a hearing will be held after the seizure).

Despite the enhanced civil and criminal penalties for counterfeiting, the problem of bogus goods continues to plague both governments and IP owners. In one novel approach, some trademark owners now bring lawsuits not only against those who sell the fake products, but also against their landlords. In 2006, 18 landlords in New York agreed to post signs saying store owners were not authorized to sell Louis Vuitton merchandise and to evict those who do.

In November 2010, the Anti-Counterfeiting Trade Agreement (ACTA) was finalized among 40 countries representing more than 50 percent of world trade, including the United States and the European Union. ACTA aims to combat counterfeiting and piracy and support global enforcement of intellectual property rights. ACTA requires signatory countries to provide effective enforcement procedures for IP rights, includes provisions requiring criminal penalties for certain acts of counterfeiting and piracy, and requires commitments on seizure and destruction of fake goods. Unfortunately, China, a leading source of fake goods, did not participate. Although ACTA's text has been finalized and it has been signed by the United States, at the time of the writing of this text, it had not yet entered into force.

Unfair Competition

Section 43 of the Lanham Act (15 U.S.C. § 1125) provides that any person injured by a false designation of origin or false representation may bring a civil action against the offending party. This statute is often used as a catchall because it is so broadly worded that it prohibits nearly all forms of **unfair competition**, including false advertising and infringement of

trade dress. Moreover, a party need not have a registered trademark to invoke its protections. Thus, it affords even broader protection than Section 32 of the Lanham Act (15 U.S.C. § 1114), which prohibits infringement of a registered mark. Likelihood of confusion is the test for both common law infringement (under Section 43) and infringement of registered marks (under Section 32). In most instances, parties alleging trademark infringement under Section 32 of the Lanham Act also include a cause of action for unfair competition under Section 43 (and state consumer protection or unfair competition statutes, if they exist). In fact, in *Phat Fashions* (see Exhibit 6–2), the court stated that because the plaintiff had demonstrated infringement, *it followed that* the plaintiff had equally established unfair competition. Unfair competition is fully discussed in Chapter 23.

Customs Regulation

Additional protection is provided to trademark owners through Section 42 of the Lanham Act (15 U.S.C. § 1124), which allows owners of trademarks registered on the Principal Register to deposit their certificates of registration with the U.S. Customs and Border Protection Service in order to block importation of offending goods. The trademark owner files an application with the Intellectual Property Rights Branch of the U.S. Customs and Border Protection Service (CBP) in Washington, DC, to have its marks recorded with CBP, deposits one certified copy and five additional copies of its registration certificates with CBP, and pays an application fee of \$190 per class. The form may now be submitted electronically. CBP will then “post its ports.” **Posting of ports** means that CBP will monitor ports of entry into the United States and will seize any unpermitted goods bearing the owner's mark or a copy or simulated trademark. Fines and criminal sanctions may be imposed on the offending party.

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- In July 2006, the TTAB imposed sanctions against Leo Stoller, who had filed more than 1,800 requests for extensions of time to oppose registration of various marks with the TTAB over less than two years. The sanctions imposed included vacating pending approvals of extension requests, a two-year prohibition on filing extension requests, and a requirement that Stoller be represented by an attorney in any extension request. Stoller's assets were sold by his bankruptcy trustee in 2007.
- Ninety-five percent of all TTAB proceedings are resolved prior to trial.
- In 2011, 4,985 oppositions were filed, 1,362 cancellations proceedings were filed, 39 concurrent use proceedings were filed, and no interferences were filed.
- In 2008, two days after being sued by Hasbro for infringement of the SCRABBLE® mark, the two brothers behind the popular Facebook game "Scrabulous" took down Scrabulous, which had more than 500,000 daily users.
- Within three weeks of the global launch of Apple's iPad in 2010, counterfeit versions were available in China.
- In late 2010, Facebook sued Faceporn (an x-rated social network) for dilution by tarnishment.
- In 2009, in the United States alone, officials seized approximately \$260 million in counterfeit goods. Similarly, in April 2010, federal officials seized \$263 million of counterfeit products, including DVDs, circuit breakers, luxury goods, and medications.
- Uncle Milton Industries still owns the trademark ANT FARM®. "Everyone else can call it a 'formicarium,'" says a company spokesperson.

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CHAPTER SUMMARY

Disputes over use and ownership of trademarks are common. Such disputes typically fall into one of four categories: inter partes proceedings, infringement actions, actions for dilution, and actions alleging unfair competition.

An inter partes proceeding is one brought before the Trademark Trial and Appeal Board and may be categorized as follows:

- An opposition by a party to registration of a mark on the Principal Register
- A petition to cancel an existing registration of a mark
- An interference
- A concurrent use proceeding, whereby parties each agree to use their respective marks in specifically designated geographical areas

An action for trademark infringement can be brought in federal court if a defendant's use of a mark is likely to cause confusion with a registered mark to an appreciable number of reasonably prudent consumers about the source, origin,

affiliation, or sponsorship of goods or services. Courts consider a variety of factors in determining whether there is a likelihood of confusion, including the similarity of the marks, the similarity of the goods/services offered under the marks, the similarity of trade channels, the strength of the senior mark, whether the sale is made on impulse or only after careful deliberation, and whether actual confusion has occurred. A trademark infringement action proceeds much like any trial: a complaint is filed, an answer is filed, motions may be made, discovery occurs, and a trial is held. Relief may include injunctions, monetary damages, and destruction of infringing articles. Additional protection is afforded by depositing a certificate of trademark registration with U.S. Customs and Border Protection to prohibit offending goods from entering the United States.

An action for dilution may be brought if another uses a famous mark in a way that is likely to weaken or dilute the mark by blurring its distinctiveness or tarnishing its reputation and goodwill.

If a mark is not registered, an action for unfair competition may be brought against a party who is using a false designation of origin or is engaged in false advertising.

Thus, securing a federal registration for one's mark enhances the level of protection for a trademark owner who may then bring a civil action for infringement of the registered mark and may obtain the assistance of the CBP in blocking offending goods from entry into the United States.

CASE ILLUSTRATION

CONTRIBUTORY TRADEMARK INFRINGEMENT

- Case:** *Gucci American, Inc. v. Frontline Processing Corp.*, 721 F. Supp. 2d 228 (S.D.N.Y. 2010).
- Facts:** Gucci sued the owner of a website (TheBagAddiction.com) for selling counterfeit Gucci products. After TheBagAddiction.com admitted liability, Gucci then sued three companies that had worked with TheBagAddiction.com by processing credit card payments for it. The three companies moved to dismiss the complaint.
- Holding:** Motion denied. Gucci alleged sufficient facts to show contributory trademark infringement. A defendant may be liable for contributory trademark infringement if it supplies services with knowledge of (or acts with willful blindness to) the infringing conduct while also having

sufficient control over the instrumentality used to infringe. In this case, the defendants had specific knowledge that TheBagAddiction.com was selling counterfeit Gucci products. Moreover, their acts in processing credit card payments was an essential step in the infringement process (and they made money on each transaction); goods could not be sold and shipped without their credit card processing services. Thus, Gucci stated a claim for contributory trademark infringement.

CASE STUDY AND ACTIVITIES

Case Study. Holiday would like to use the mark WATER WONDERLAND for one of its onboard entertainment shows. Holiday recently discovered that Carnival Cruise Lines, Inc. owns a registration for WATER WONDER for a similar show; however, about two years ago, Carnival began using the mark AQUATIC for its show and phased out use of WATER WONDER. Holiday also offers special benefits and experiences to its return cruisers under the registered mark VIPerks and knows that Royal Caribbean Cruises Ltd. recently began offering a similar program under its unregistered mark “Perks For VIPs.”

Activities. Discuss what actions Holiday might institute to protect its marks.

ROLE OF PARALEGAL

Paralegals are typically involved in a variety of interesting and challenging tasks related to trademark protection, including the following:

- Reviewing the *Official Gazette* to locate marks that may need to be opposed or reviewing reports from watching services relating to publication of marks that may need to be opposed;
- Docketing relevant dates for filing a notice of opposition, request for extension of time to oppose, or petition to cancel;
- Preparing or responding to cease and desist letters (to be signed by an attorney);
- Preparing notices of opposition, petitions to cancel, complaints for infringement, or responses or answers thereto and filing such documents with the TTAB using its electronic ESTTA filing system;
- Monitoring the TTAB disclosure, discovery, and trial-related deadlines to ensure compliance;
- Docketing all relevant dates in opposition, cancellation, and infringement proceedings, such as dates for close of discovery, submission of written briefs, and so forth;
- Assisting in the discovery process by drafting interrogatories, reviewing documents produced, summarizing depositions, reviewing surveys, and so forth;
- Conducting searches and investigations to determine the number and use of other similar marks;
- Drafting consent to use or trademark settlement agreements;
- Providing general assistance for infringement trials, such as locating witnesses, organizing exhibits and documents, conducting research, and preparing jury instructions;
- Assisting in monitoring the Internet to locate infringing and diluting uses of clients’ marks; and
- Preparing applications to U.S. Customs to record trademark registrations to block importation of offending goods.

INTERNET RESOURCES

USPTO website:	http://www.uspto.gov (offers basic forms for electronic filing of notices of opposition and petitions to cancel registered marks); additionally, select TTAB and then TTAB Manual of Procedure for rules relating to inter partes proceedings.
Trademark Manual of Examining Procedure (TMEP):	http://tess2.uspto.gov/tmdb/tmep (offers information on standards for likelihood of confusion of marks in Chapter 12)
U.S. Customs and Border Protection:	http://www.cbp.gov (provides information and form for filing applications with U.S. Customs and Border Protection to post ports and prevent importation of infringing goods)
General information:	http://www.megalaw.com http://ipmall.info
Sample cease and desist letters:	http://www.chillingeffects.org (offers sample and actual cease and desist letters and general information about trademark infringement)

DISCUSSION QUESTIONS

1. ABC's mark VERIPAK was published in the *Official Gazette* on May 15. A potential opposer, XYZ, obtained a first extension of time to oppose registration of VERIPAK for 30 days and would now like to file its second request for extension of time to oppose. Docket or give the date that this second request for extension of time to oppose will expire.
2. Docket or give the time period for filing a petition for cancellation for the following marks:
 - BIDGET (registered on the Supplemental Register)
 - PAYSON (registered on the Principal Register—ground is fraud)
 - VEROBA (registered on the Principal Register—ground is distinctiveness)
 - VILLALOS (registered on the Principal Register—ground is abandonment due to nonuse)
 - HENRY CARTS (registered on the Principal Register—ground is confusing similarity)
3. On December 12, the TTAB ruled against your firm's client after an opposition proceeding. Give the date you would docket if you wished to appeal the TTAB decision to the U.S. Court of Appeals for the Federal Circuit.
4. Tom Blake is the owner of a trademark registered in Arizona. He has observed another company using a mark similar to his that he believes is likely to cause confusion with his mark. May Tom sue under federal law for this infringement? Discuss.

5. Wisk detergent has launched an ad campaign that invites consumers to “Buy Tide. Then Buy Wisk. You’ll see which one is better—it’s Wisk.” The maker of Tide believes that this use dilutes its famous Tide trademark. Discuss whether you think Tide is likely to prevail in an infringement action.
6. Indicate whether the following uses, if any, might constitute dilution by blurring or dilution by tarnishment:
 - TABASCO (for adult content magazines)
 - ROLEX (for pens)
 - BIG MAC (for bicycles)
 - STARBUCKS (mentioned in a *New Yorker* article about the rise of coffee shops)
7. Some makers of high-end luxury and status goods license their marks for numerous products. For example, Pierre Cardin licensed his trademarks to be used on hundreds of unrelated products. What effect might such extensive licensing have on the ability of a mark holder to allege dilution by blurring?

USING INTERNET RESOURCES

1. Use TDR and locate information relating to the application assigned Serial No. 78654047.
 - a. When was the mark published?
 - b. When was the mark registered?
 - c. Use TTABVUE and review Document 7 in this matter. What cause was given for the request for extension of time to oppose?
2. Use TTABVUE and review Opposition Proceeding 91195630. Review the Motion for Extension of Answer. What is the date for the close of discovery?
3. Use TTABVUE and locate proceedings filed by the party High Energy Holdings, LLC. Specifically, locate the proceedings involving the mark PINKY and that were filed on August 22, 2006.
 - a. What document was filed on August 22, 2006?
 - b. Review paragraph 7 of this document. What is the allegation?
 - c. How was this matter resolved?
4. Use TTABVUE and locate Opposition Proceeding 91194396.
 - a. What was the opposer’s mark?
 - b. What was the applicant’s mark?
 - c. What grounds did the opposer allege as grounds for its opposition?
5. Assume a mark was published on February 1, 2011. Assuming appropriate requests for extensions of time to oppose are filed, what is the latest possible date on which a party may file an opposition against registration of the mark?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 7

New Developments in Trademark Law

CHAPTER OVERVIEW

New issues have arisen in trademark law that were entirely unanticipated just a few years ago. The emergence of the Internet as a tool for electronic communication and commerce has resulted in complex intellectual property issues; chief among them are the assignment of Internet domain names and attendant disputes over such domain names. Companies that have invested significant amounts of time and money in their marks have been surprised when they have attempted to use their marks as part of their domain names, only to find the names have been taken by cybersquatters or electronic pirates who register famous domain names in the hopes of ransoming them back to their rightful owners. The issue of domain name assignment and dispute resolution is one that has caused great controversy and produced significant reform, although acts of cyberquatting continue to increase.

Use of marks on the Internet has also led to various First Amendment issues, especially with regard to the practice of using another party's mark on one's website as a link to another site. Finally, courts have struggled with the issue whether merely operating a passive website should expose a party to jurisdiction in all states where the website can be accessed. Generally, courts have held that passive websites offering information should not subject the website operator to personal jurisdiction in other states.

As use of the Internet continues to increase in ways not yet imagined, intellectual property rights are likely to continue to be affected, requiring courts to be imaginative and flexible in dealing with emerging technologies.

THE INTERNET

Introduction

Trademark owners throughout the world are struggling with new issues presented by increased electronic communication, primarily that occurring through the Internet. The Internet derives from a network set up in the 1970s by the Department of Defense to connect military and research sites that could continue to communicate even in the event of nuclear attack. In the 1980s, the National Science Foundation expanded on the system, and its first significant users were government agencies and universities. In the early 1990s, however, it became apparent that the system could provide a global communication network, allowing people from all over the world to talk with each other; send written messages (electronic mail or “e-mail”), pictures, and text to each other; and establish websites to advertise their wares and provide information to their customers. Thus, the Internet has become a channel of commerce with more than 1.6 billion users worldwide. In the United States alone, retail commerce on the Internet exceeded \$134 billion in 2009.

To communicate on the Internet, businesses and individuals are assigned addresses called domain names, for example, “ford.com.” To consumers, these domain names function much like a trademark in that they identify a source of goods or services.

Assignment of Domain Names

The rapid explosion of the Internet has presented two novel trademark issues: How should domain

names be registered for use on the Internet and how should disputes over domain names be resolved? As marks are used more frequently on the Internet, trademark owners need to ensure that their marks continue to serve their key functions of distinguishing an owner’s goods and services from those of others and protecting the public from deception and confusion. Moreover, businesses desire domain names that are easy to remember and that relate to their name, products, or services. Owners of famous trademarks, such as Nestlé Co., typically register their primary trademark as their domain name, as in “nestle.com.” Additionally, consumers who do not definitely know a company’s domain name often merely type in the company name, such as “ibm.com,” in the hope of locating the company’s site. This method is often successful.

A company’s presence on the Internet begins with its address or **domain name**. A domain name not only serves as a locator for a company but also may function as a designation of origin and a symbol of goodwill—a trademark. There are two portions to a domain name: the **generic top-level domain** (gTLD), which is the portion of the name to the right of a period (such as .gov or .com), and the **secondary level domain**, which is the portion of the name to the left of a period (such as “kraft” in “kraft.com”). Disputes frequently arise between owners of registered marks and owners of domain names who use domain names similar or identical to the registered marks. While several parties might have identical trademarks because their products or services are not confusingly similar (e.g., DOVE® for soap can coexist with DOVE® for ice cream), it is not possible for two parties to have identical Web addresses. For example, a company might register the mark SHOEBIZ® for its shoes. Another party might adopt the domain name “shoebiz.com.” When consumers encounter the domain name, they may go to the site seeking information on the shoe products and instead be presented with information from an

entirely unrelated company. Moreover, the owner of the SHOEBIZ mark might not be able to secure the domain name for its business even though it has a valid trademark registration because the domain name has already been taken by someone else.

Domain names are appearing as assets in sales of businesses and in bankruptcies. The name “business.com” sold for \$345 million in 2007, and “sex.com” sold for \$12 million in 2006. The art of establishing a value for a domain name is a burgeoning business. In many instances, a speculator buys names and then hopes to sell them later for a windfall. Several companies, including Sedo.com, LLC and Internet REIT, buy and sell domain names and have inventories of thousands of domain names.

Domain names are registered on a first-come, first-served basis, thus allowing anyone to register a domain such as ford.com, even if the registrant has no connection with Ford Motor Co. The organizations that register domain names, called **registrars**, generally do not prescreen potentially troublesome names (although they typically require domain name applicants to represent that they believe they have a right to use the name and the registration is in good faith). Federal law (15 U.S.C. § 1114(D)) specifically provides a safe harbor for domain name registrars; thus, they are not liable for merely registering an infringing domain name absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

Internet Corporation for Assigned Names and Numbers (ICANN)

To help resolve the problems in the domain name registration and use process, the U.S. government created the **Internet Corporation for Assigned Names and Numbers (ICANN)** in 1998 to coordinate naming policies. ICANN, a nonprofit corporation, has assumed responsibility for overseeing the domain name system in the United States. ICANN

is governed by an international board of directors elected in part by various members of the Internet community.

Domain names such as www.ford.com can be registered through more than 500 different registrars that compete with each other. Only registrars accredited by ICANN are authorized to register domain names ending with certain suffixes, such as .com, .org, and .net. Registrations usually last one year, at which time they can be renewed or will expire. ICANN accredits registrars only if they agree to require those wishing to obtain a domain name from them to represent that in seeking to obtain or register a domain name they do not know of any infringement that will result from the registration and agree to abide by ICANN’s dispute resolution policies.

At the time of the writing of this text, ICANN has approved 22 gTLDs, including .com, .org, and .biz, as well as hundreds of others for foreign countries, such as .de for Germany. In 2010, ICANN implemented the first non-Latin character country codes (including Cyrillic and Arabic characters). In mid-2011, ICANN approved a massive expansion of gTLDs to allow companies and entities to create their own gTLDs, such as .nyc, .music, .law, .ibm, or nearly any other word or suffix. The new gTLDs are expected to begin getting approved in 2012. In 2011, ICANN approved .xxx as a new gTLD for adult entertainment sites.

Typically, a registrar is expected to pay ICANN \$185,000 for permission to manage the new domain suffixes; once approved by ICANN, the registrar would then issue domains with the suffix to others (for a fee). For example, the company that was granted approval to operate the domain extension .xxx believes it will make \$30 million per year in revenue by selling each .xxx site for about \$200. In fact, companies not affiliated with adult entertainment are the primary purchasers of the .xxx domain, with 80 percent of registrants being outside of the porn industry. For example, MTV has registered

ComedyCentral.xxx because it does not want its customers who may search for Comedy Central–related content to access inappropriate material. Disney, Target, and Pepsi likewise purchased .xxx domains, solely for defensive purposes. Many companies have thus complained that they are being forced to pay fees to buy domain names they do not want and will never use merely to protect their brands on a defensive basis, comparing the process to a “shake down.”

Similarly, many companies have objected to the planned massive expansion of gTLDs because it would force them to buy multiple domains on each new gTLD as a defensive measure. For example, to protect its trademark, IBM might need to buy the domains www.ibm.love, www.ibm.eco, and www.ibm.sport, costing it significant sums of money. If IBM does not buy the domains, it runs the risk of having its domain name purchased and used by a cybersquatter (see following discussion). Companies would incur additional expense in monitoring the Internet to ensure these additional new gTLDs do not abuse or infringe their marks. INTA, the International Trademark Association, opposed the adoption of new gTLDs, believing that the benefits of adding new gTLDs are non-existent and the costs are significant. To prevent cybersquatting, ICANN will establish a Trademark Clearinghouse in which trademark owners may record their rights and they will be notified when domains are registered that may infringe their domains.

Even on the eve of its implementation, ICANN’s plan to add the new gTLDs remains fiercely opposed by many, and in November 2011, more than 150 businesses formed the Coalition for Responsible Internet Domain Name Oversight to oppose the rollout by petitioning the Secretary of Commerce to stop ICANN from adding the new gTLDs. At the time of the writing of this next, no one is certain whether the expansion of Internet domain names will be good for business or will create chaos.

Speculation in domain names may be highly profitable. In 2010, in advance of California’s legalization of medical marijuana, a former police officer registered more than 100 domains with the term “marijuana” (such as <http://www.beverlyhillsmarijuana.com>) at about \$10 each, with the intent of holding them until they are worth about \$5,000 each, at which time he plans to sell them.

PROTECTING A DOMAIN NAME

Introduction

Over the past several years, one of the biggest issues facing domain name users has been the infringement of their names. In many cases, people register well-known marks as domain names to prey on consumer confusion by misusing the domain name to divert customers from the legitimate mark owner’s site. This practice is commonly called **cybersquatting**. The cybersquatter’s own site is often a pornography or gambling site that derives advertising revenue based on the number of visits (called “hits”) the site receives. In other cases, the cybersquatters offer to ransom back the domain name to the true owner for unreasonable amounts of money.

Victims of hijacked trademarks can pursue a variety of remedies against cybersquatters. An action for trademark infringement can be brought if likelihood of confusion and use in commerce can be shown. Most victims, however, rely on one of the following three approaches because proving use in commerce by the cybersquatter can be difficult (because the cybersquatter often merely registers the domain name and doesn’t use it but rather hopes to sell it to the rightful owner):

1. An action might be brought under the federal dilution statutes;
2. A civil suit can be instituted under the 1999 Anticybersquatting Consumer Protection Act; or

3. An administrative quasi-arbitration proceeding can be instituted through ICANN's dispute resolution process.

Cybersquatters and the Dilution Doctrine

If the domain name owner uses its site to promote or offer goods or services confusingly similar to those offered by a trademark owner with prior rights, and the domain name and mark are confusingly similar, the trademark owner can bring an action for infringement under the Lanham Act just as it would for any act of infringement. More difficult issues have arisen, however, when domain names have been registered and are used merely for an e-mail address with no website associated with them (making the name unavailable as a domain name for the rightful owner) or are used in connection with goods or services that are unrelated to those offered by the trademark owner. In such cases, the trademark owner cannot bring an action for infringement inasmuch as the owner cannot show likelihood of confusion or commercial use. Enter the dilution doctrine.

When the Federal Trademark Dilution Act (15 U.S.C. § 1125(c)) (now known as the Trademark Dilution Revision Act) was being considered, Senator Patrick J. Leahy (D. Vt.) expressed his hope that it would be useful in prohibiting the misuse of famous marks as domain names on the Internet. Since the passage of the Act, many trademark owners have in fact relied on the Act in disputes over domain names.

In *Intermatic v. Toeppen*, 947 F. Supp. 1227 (N.D. Ill. 1996), one of the most famous cybersquatting cases, the owner of the well-known mark INTERMATIC® (used on a variety of electronic products) sued Dennis Toeppen, an individual who had registered the domain name "intermatic.com" with NSI. Toeppen did not offer any goods or services on his "intermatic.com" site and acknowledged he

intended to "arbitrage" the name, along with more than 240 other names he had registered as domains, including "deltaairlines.com" and "neiman-marcus.com," which he then offered to sell to their owners for sums ranging between \$10,000 and \$15,000. The district court held that the act of registering a domain name with the intent to resell it constituted "use in commerce" and was therefore covered by the Federal Trademark Dilution Act. Toeppen's acts were held to have diluted the famous INTERMATIC mark by decreasing the owner's ability to identify and distinguish its goods on the Internet because the domain name registration system does not permit two entities to use the same domain name (unlike marketplace conditions in which similar or identical marks may coexist), and it decreased Intermatic's ability to control the association that the public would make with its mark. In mid-1998, the Ninth Circuit Court of Appeals upheld a summary judgment ruling against Toeppen for trademark dilution arising out of similar acts, namely, attempting to sell Panavision's domain name to it for \$13,000. *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998).

Similarly, in *Hasbro Inc. v. Internet Entertainment Group Ltd.*, 40 U.S.P.Q.2d 1479 (W.D. Wash. 1996), Hasbro, the owner of the CANDYLAND® mark used in connection with the famous children's board game, was able to enjoin the defendant's use of the domain name "candyland.com" for a website featuring sexually explicit material. The court held that the defendant's use tarnished the famous CANDYLAND mark under the Federal Trademark Dilution Act.

Just as in any dilution case, a prevailing plaintiff is entitled to an injunction against another person's commercial use in commerce of its mark (and, if willful intent is proven, monetary damages may be awarded). To prevail, a plaintiff must show that the defendant has commenced use in commerce of a mark that is likely to cause dilution of a

famous mark or a distinctive mark (either inherently distinctive or that has acquired distinctiveness) by blurring or by tarnishment. There is no need for the plaintiff to show actual confusion, competition, or any actual economic injury; proving likelihood of dilution is sufficient. Recently, however, some courts have indicated that because the Anticybersquatting Protection Act was specifically enacted to deal with cybersquatting, the dilution doctrine should not be used in cybersquatting cases. *See, e.g., Porsche Cars N. Am. Inc. v. Porsche.net*, 302 F.3d 248 (4th Cir. 2002).

Cybersquatters and the Anticybersquatting Consumer Protection Act

In 1999 Congress enacted the **Anticybersquatting Consumer Protection Act (ACPA)** to bring additional uniformity to the problems associated with domain name registration and cybersquatting. The Act (located at 15 U.S.C. § 1125(d)) makes it wrongful for a person to register, traffic in, or use a domain name of another if the domain name is identical to or confusingly similar to the trademark of another and the person has a bad faith intent to profit from the mark. ACPA is the world's first law on domain names. Note that there is no requirement under ACPA that a party have a *registered* mark. A separate section of the Lanham Act protects the personal names of living individuals against bad faith registration of their names as domain names (15 U.S.C. § 8131).

A domain name registrant's bad faith must be shown for a plaintiff to prevail under ACPA. In determining whether a person has a bad faith intent, a court may consider a number of factors, including whether the person intends to divert consumers from the mark owner's online location either for commercial gain or with the intent to disparage the mark, whether the person has offered to sell the

domain name to another for financial gain without having used the domain name, and whether the person has acquired multiple domain names that are identical or confusing to those of others. Without such a showing of bad faith, recovery will be denied. For example, in *Hasbro Inc. v. Clue Computing, Inc.*, 66 F. Supp. 2d 117 (D. Mass. 1999), the court held that the defendant's domain "clue.com" did not infringe Hasbro's famous Clue mark because the defendant computing firm had its own trademark rights in the word *clue* and was a legitimate first user.

To prevail in a civil action under ACPA, a plaintiff must prove two things:

1. The defendant had a bad faith intent to profit from the mark;
2. The defendant has registered, used, or trafficked in a mark that is identical or confusingly similar to a distinctive or famous mark.

Parties who prevail in actions under ACPA can obtain actual damages and lost profits as well as attorneys' fees. Injunctive relief is also available. For plaintiffs who have difficulty proving actual damages, the Act provides for statutory damages in an amount of up to \$100,000 per domain name. Additionally, a court can order the wrongful domain name canceled or transferred to the plaintiff.

A standard trademark infringement case requires a plaintiff to prove that the defendant wrongfully used a mark "in commerce," meaning in connection with the offer or sale of goods or services. ACPA, however, allows recovery if the defendant either wrongfully used *or* registered the mark. Thus, recovery under ACPA is easier in cases in which the wrongdoer simply registers the domain name and attempts to sell it back to the mark owner without having actually *used* it.

Cases under ACPA are still emerging from the nation's appellate court system. One of the most famous is *Shields v. Zuccarini*, 254 F.3d 476 (3d Cir. 2001), in which the defendant registered several

misspelled versions of the popular website <http://www.joecartoon.com> owned by the plaintiff, a well-known cartoonist named Joe Shields. This practice is a variation of cybersquatting called **typosquatting**. When visitors attempted to access the plaintiff's site and mistyped a letter or two, they would become **mousetrapped** in Zuccarini's site and need to click on a number of advertisements before they could exit the site. Zuccarini received payment for each click on one of these advertising sites. Shields was awarded damages in the amount of \$10,000 for each infringing domain name and nearly \$40,000 in attorneys' fees. It was later found that Zuccarini had been making \$800,000 to \$1 million each year by charging advertisers whose ads appeared after an Internet user mistyped names such as Victoria's Secret or *The Wall Street Journal*. In many cases, the advertisers were promoting gambling and pornography.

Just months later, Zuccarini was still at it and had registered additional misspelled domain names. The court stated that he was a "notorious cybersquatter" and had "boldly thumb[ed] his nose" at the court. Zuccarini was ordered to pay \$500,000 in damages and more than \$30,000 in attorneys' fees. The Federal Trade Commission later ordered him to stop his scheme and pay almost \$1.9 million to victims. Altogether, Zuccarini lost 53 state and federal lawsuits and has had about 200 domain names taken from him. In 2004, Zuccarini was sentenced to 30 months in prison for luring children to pornographic websites by misspelling Internet domain names such as Britney Spears and Disneyland. In 2003, Congress passed the Truth in Domain Names Act (18 U.S.C. § 2252B) to address concerns raised by Zuccarini's tactics. The Act criminalizes the act of knowingly registering a domain name with the intent to deceive a person (especially a child) into viewing obscene material.

A new development in cybersquatting is registration of domain names of fledgling celebrities and athletes in the hope they will become famous. These

"soft squatters" hope that when fame occurs, they will then develop a business relationship with the celebrity, offering website design services or website hosting. Politicians and their campaigns are also victims of cybersquatters. In 2008, the fake website johnmcain.com (with one "c" rather than two) even accepted credit card contributions.

ACPA has proven to be a potent weapon for trademark owners. Recovery of money damages (and attorneys' fees) and cancellation of the domain name are both available under the Act.

Resolving Disputes through the Uniform Domain Name Dispute Resolution Policy

In 1999, after assuming control of the domain name registration process, ICANN adopted a **Uniform Domain Name Dispute Resolution Policy (UDRP)**, an international policy for resolving controversies relating to domain names. All ICANN-accredited registrars must follow UDRP, and ICANN has designated four approved providers to oversee disputes. Of the four, the World Intellectual Property Organization (WIPO), headquartered in Geneva, has emerged as the most popular forum for domain name disputes, although the National Arbitration Forum in Minneapolis is increasingly popular, and it will handle any disputes associated with the new .xxx domain name. The UDRP provides a quick and inexpensive alternative to bringing a formal lawsuit under ACPA.

The UDRP establishes an administrative procedure for efficient and inexpensive resolution of a specific category of disputes: those arising from abusive, bad faith registrations of domain names, namely, cybersquatting. Under the UDRP, the holder of a trademark files an online complaint with one of the four approved dispute resolution service providers (often WIPO, as discussed previously). These providers set their own fees, which average about \$1,600.

There is no discovery and no personal appearances; everything is done via paper or electronic filing. A decision is usually rendered by a neutral arbitration panel (either one panelist or three panelists) in about two months. Remedies are limited to canceling a wrongful domain name or transferring it to its rightful owner. Neither money damages nor injunctive relief can be obtained under the UDRP. Nevertheless, if the trademark owner seeks a quick and inexpensive resolution of a domain name dispute, the UDRP provides an excellent forum for cancellation or transfer of a domain name.

To prevail under the UDRP, the trademark owner must establish three things:

1. The allegedly wrongful domain name is identical or confusingly similar to the complainant's trademark;
2. The domain name registrant has no legitimate interest in the domain name; and
3. The domain name was registered and is being used in bad faith.

The UDRP resolution process is perceived as complainant-friendly, and statistics show that the panels rule in favor of trademark owners about 80 percent of the time. A party who is unhappy with the result under UDRP can appeal to court or bring an action under ACPA; thus, UDRP decisions are not final.

It is also a violation of the UDRP to engage in **reverse domain hijacking**, which occurs when a trademark owner (often a large company or famous individual) intimidates or threatens to sue a legitimate domain registrant. Thus, if a small company registers a domain name in good faith and a larger latecomer wants the name, it may threaten to sue or bring a proceeding under the UDRP. The small company may be intimidated into surrendering its legitimate domain name.

In April 2009, ICANN implemented a new policy to discourage "domain tasting" (the practice

of registering a domain name and then returning it for a full refund during the first five days after registration if it seemed likely to be unprofitable). Some individuals and companies would register hundreds or thousands of domain names for short periods of time and then return them, causing an enormous amount of administrative processing for ICANN. For example, in just the first six months of 2007, almost five million domain names were returned to ICANN. Thus, ICANN's new policy imposes certain fees on domain tasting. After ICANN implemented its new policy, which imposes fees on "returned" domain names above a threshold level, domain tasting fell by 99.7 percent. ICANN's new policy has dealt a death blow to domain tasting.

The Future of Cybersquatting

As discussed, there are a variety of dispute mechanisms available to trademark owners whose marks are hijacked by cybersquatters (see Exhibit 7-1).

The remedies are not exclusive; one may pursue an action in court under ACPA and may also initiate a proceeding under the UDRP. The UDRP proceeding is quick and relatively inexpensive, but the only award available is cancellation or transfer of the offending name. A court proceeding under ACPA may be expensive but may result in significant statutory damages, as seen in a 2009 case in which the Northern District of California ordered a "serial cybersquatter" to pay Verizon more than \$33 million dollars for its registering in bad faith hundreds of marks similar to Verizon's.

Except for a slight drop in 2009 in the number of proceedings brought at WIPO, the number of proceedings brought alleging cybersquatting has risen every year since 2003. Some experts believe the number of cybersquatting cases will dramatically rise with the addition of the new .xxx domain names and if new top-level domains are added by ICANN. Companies with well-known trademarks

Form of Action	What Plaintiff Must Show	Permitted Recovery	Disadvantages
Infringement action	Likelihood of confusion and use in commerce must be shown.	Injunctive relief and money damages and profits (as well as attorneys' fees in exceptional cases) are recoverable.	Plaintiff must show use in commerce, which may be difficult if domain name is only registered and not used.
Action under federal dilution statute	Plaintiff must show likelihood of dilution of a famous or distinctive mark; use in commerce is shown by registration of a domain name with "bad intent."	Injunctive relief may be obtained, and if willful intent is shown, money damages (and attorneys' fees in exceptional cases) may be recovered.	Plaintiff must show some commercial use; damages may be hard to recover; domain name cannot be canceled or transferred.
Anticybersquatting Consumer Protection Act	Plaintiff must show bad faith in registration, use, or trafficking in a confusingly similar or identical domain name; acts such as "ransoming back" name constitute commercial use. Personal names may also be protected. Plaintiff need not have registered mark.	Cancellation of domain name is possible as well as money damages; if money damages are difficult to prove plaintiff may opt for statutory damages. Injunctive relief may also be ordered.	Court proceeding may be expensive and time-consuming.
Uniform Domain Name Dispute Resolution Policy	Complainant must show identical or confusingly similar domain name (including personal name) was registered and is being used in bad faith.	The only possible remedies are cancellation or transfer of domain name to rightful owner.	Money damages are not recoverable; however, process is quick and inexpensive.

EXHIBIT 7-1 Remedies for Cybersquatting

will be forced to spend money to register numerous new domain names and then police those domains as well. For example, some companies already defensively register hundreds of names to protect themselves. Thus, the owner of www.i-hate-sprint.com is Sprint itself. MarkMonitor, a brand management company and domain registrar, has stated that 90 percent of its clients' portfolios of domain names

are defensive. Some new companies offer software to track digital infringement and can monitor new domain registrations.

Although most cybersquatters are aiming to generate money via pay-per-click ads on their domains, some set up competing brands; if consumers make purchases on these sites, they may open themselves up to identity theft and theft of their credit

card numbers. In sum, although there are numerous remedies available to victims of cybersquatting, the practice continues and may, in fact, increase.

One of the newer variations of cybersquatting involves abuse of social media domain names (such as those used on Twitter or Facebook). A number of celebrities have discovered others “tweeting” under their names, and companies have discovered misuse of their trademarks. Remedies for dealing with imposters and related trademark issues are just emerging. For example, Facebook has an IP policy and offers a complaint form for IP users to submit when they believe their trademarks have been infringed. Most social media sites reserve the right to reclaim names. Although social media sites provide companies new ways to promote their trademarks, new avenues exist for abuse as well, providing additional headaches for companies that need to protect and enforce their valuable marks.

HYPERLINKING AND THE FIRST AMENDMENT

Web page owners frequently provide symbols, called **hyperlinks** (or “links”), that designate other Web pages that may be of interest to a user. Thus, a trademark owner’s mark may be displayed on thousands of different websites, allowing users to “click” on the symbol and be transported to a different location, either to a different page within that same website or to an entirely different website on the Internet. Links are location pointers and are often shown in blue underscoring.

Most companies have no objection to linking, rightfully believing that linking allows more individuals to visit their sites and thus increases commercial use. Thus, most website owners have not sought permission from others to create a link to their site.

A Georgia statute prohibited the use of any trademark on the Internet that falsely implied that permission to use the symbol had been granted.

In striking down the statute as unconstitutional, the U.S. District Court for the Northern District of Georgia held that the First Amendment protects the linking function as free speech. *ACLU v. Miller*, 977 F. Supp. 1228 (N.D. Ga. 1997). Moreover, in *Knight-McConnell v. Cummings*, No. 03 CIV 5035 (NRB), 2004 WL 1713824, at *2 (S.D.N.Y. July 29, 2004), in which the plaintiff claimed that the defendant violated federal law by linking to her site without her permission, the court held that the “mere appearance on a website of a hyperlink will not lead a web-user to conclude that the owner of the site he is visiting is associated with the owner of the linked site.”

Many experts analogize linking with library card files or footnoting in written documents, namely, a signal to users that additional information can be sought elsewhere. Linking, however, is not permissible if it points to material with the purpose of disseminating illegal material. Moreover, linking to unsavory websites could result in liability.

At this time, however, the permissibility of **deep linking**, which allows a user at one site to proceed directly to certain information at another site, bypassing the home page of the second site, is slightly more open to debate. Because home pages often provide background information and their owners sell advertising on their home pages, arguments have been made that deep linking that bypasses a home page deprives the second site owner of advertising revenue and is thus impermissible. Most experts, however, believe that deep linking, by itself, without causing confusion, should be permissible. In *Ticketmaster Corp. v. Tickets.Com Inc.*, No. 99-7654 HLH, 2000 WL 525390, at *3 (C.D. Cal. Mar. 27, 2000), in which the defendant deep linked users into interior pages of the plaintiff’s website, the court stated that “deep linking by itself (i.e., without confusion of source)” does not necessarily infringe another’s rights. However, if deep linking falsely suggests or implies a sponsorship with the target website, it may constitute infringement.

Another unresolved issue somewhat related to linking is **framing**, the retrieval by one website of content from another site that is incorporated into the original website within a frame, often obscuring advertisements and content. Some courts have suggested that because framing “captures” content from another’s site and stores it in the user’s hard drive, there may be infringement. Although various parties have filed lawsuits alleging framing, most have settled out of court, and thus there are no definitive court analyses as to whether framing may constitute trademark infringement. The issue of framing often arises in cases alleging copyright infringement (see Chapter 15) when the “framer” is alleged to have incorporated significant amounts of the plaintiff’s copyrighted website material.

At this time, due to the uncertainty relating to deep linking or framing, many commentators believe that permission of the original website owner should be sought by those wishing to deep link and bypass a home page or those wishing to incorporate others’ material by framing. However, those challenged with infringement or other intellectual property violations on the Internet should strongly consider asserting that their acts are protected by the First Amendment. In sum, liability for linking

and framing rests on where the linking leads, the content of the linked or framed site, and the likelihood of consumer confusion.

OTHER CYBERSPACE TRADEMARK ISSUES

Asserting Jurisdiction over Website Owners

One of the questions that has troubled courts over the past several years is whether by operating a website accessible in all 50 states, a website operator becomes subject to the jurisdiction of courts in each state such that it can be sued in that state. In general, a state can only subject a party to personal jurisdiction if the party has had some minimum contacts with the state such that subjecting him or her to jurisdiction does not offend traditional notions of justice. Thus, for example, a company doing business only in Ohio cannot be sued in Oregon.

The most recent analyses of this issue typically use a sliding scale approach (often called the “*Zippo* spectrum”) in determining whether jurisdiction can be asserted over a nonresident defendant. At one end of the spectrum, if a party merely posts



STAYING CURRENT

The intersection of the Internet with trademark law presents novel and interesting issues. Case law changes rapidly as courts grapple with developing trends in cyberspace. To fulfill your professional duty to maintain competency, subscribe to an intellectual property-related listserv, which will e-mail you bulletins about new cases, trends, and issues. Although there are many legal newsletters, two of the best are offered by FindLaw (subscribe to a weekly IP newsletter at <http://newsletters.findlaw.com>) and GigaLaw.com (subscribe to a daily e-mail IP newsletter at <http://www.gigalaw.com>).

information or advertises its products and services on a passive website, jurisdiction cannot be exercised over a nonresident defendant. At the other end of the spectrum, if the defendant is actively conducting business or entering into contracts, jurisdiction can likely be exercised. The middle ground, in which a website owner engages only in some limited interaction with users, is closely scrutinized by courts to determine the specific nature of the interactions. If interaction is significant, jurisdiction can be imposed. *Zippo Mfg. Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119 (W.D. Pa. 1997).

Thus, once a defendant “purposefully avails” itself of the privilege of conducting business in the forum state by directly targeting its website or electronic activity into the state, knowingly interacting with residents of the forum state via its website or with the intent of engaging in business or other interactions in the state, or through sufficient other related contacts, personal jurisdiction may be imposed.

Clandestine Trademark Misuse: Metatags, Key Word Advertising, and Phishing

Another area of growing concern is that of clandestine trademark abuse. This may involve embedding another’s trademark into a website such that it is not visible to the viewer (through the use of metatags), using key words to divert consumers from a competitor’s website (through key word advertising), or using another’s trademark in an e-mail to obtain financial information (phishing).

Metatags. It is possible to embed or hide a trademark in a website such that consumers cannot see it. A search engine, however, registers the presence of the hidden or clandestine trademark and lures the viewer to another website, generally that of a competitor. The practice is usually accomplished by the use of **metatags**, which are special codes

whose function is to emphasize key words, making it easier for search engines to locate the website.

In *Playboy Enterprises, Inc. v. Welles*, 279 F.3d 796 (9th Cir. 2002), the defendant, a former Playboy Playmate of the Year, used the plaintiff’s registered trademarks PLAYBOY® and PLAYMATE OF THE YEAR® on her website both visibly and invisibly through the use of metatags that drew visitors to her site when they entered the term “playboy” into a search engine. The court held that the plaintiff’s registered trademarks were being used merely to describe the defendant in an accurate fashion and as such were permissible nominative fair uses. Because the defendant did not suggest that Playboy Enterprises sponsored or endorsed her, such use was acceptable; however, the court cautioned that its decision might be different if the metatags were so numerous that the defendant’s website would appear before Playboy Enterprises’s in searches. While allowing the metatags, the court refused to allow Welles to use the plaintiff’s marks as “wallpaper,” or background content on her site, because there was no descriptive purpose for such use.

Many cases dealing with cutting-edge issues relating to use of trademarks on the Internet consider whether a party uses another’s trademark in a manner calculated to cause initial interest confusion (attracting or diverting a competitor’s potential customers by misleading use of a trademark). Diversion of consumers’ initial interest has been actionable under the Lanham Act (whether or not an actual sale is made). Thus, when one party placed another’s trademark in the metatags of its website, thereby creating initial interest confusion (and not merely using the mark in a fair use or purely descriptive manner), trademark infringement was found. *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1039 (9th Cir. 1995).

The court in *Brookfield* used a highway sign analogy: Suppose Blockbuster puts up a billboard on a freeway reading “West Coast Video: 2 miles ahead at Exit 7” where West Coast Video was really located

at Exit 8 and Blockbuster was located at Exit 7. Customers looking for West Coast Video will get off at Exit 7 and drive around looking for it and then may simply rent from Blockbuster. There is no real confusion because consumers know they are renting from Blockbuster and not West Coast Video, but Blockbuster would be wrongfully misappropriating West Coast Video's acquired goodwill. *Id.* at 1064. Many modern search engines no longer use metatags. For example, Google uses a formula that ranks a site based on the number of other sites that mention it or link to it rather than the number of mentions of a site through metatags.

In sum, use of another's trademark in a metatag can constitute infringement if the use is not a fair use or a merely descriptive use and, under *Brookfield*, is likely to cause confusion or initial interest confusion (purposefully steering or diverting potential customers away).

Key Word Advertising. Perhaps the most recent issue relating to Internet trademark use relates to **key word** advertising (sometimes called "keying"), an advertising practice in which a preselected ad or banner ad is displayed when certain search terms or key words are used. For example, if McDonald's purchases the key word "hamburger" from Google, ads and links to McDonald's will appear when a searcher uses the term "hamburger" in a search box. McDonald's, however, may also purchase the word "Burger King" from Google (even though it is another's trademark), and searchers who enter the key words "Burger King" would be directed to Burger King's website but would also view McDonald's link and ads.

Newer cases have been called upon to determine whether such a practice constitutes trademark infringement. For trademark infringement to occur, there must be use of the mark in commerce and a likelihood of confusion. Recent cases have readily found that use of a trademark as a search engine key word that triggers the display of a competitor's ad is a use in commerce.

The core issue, as always, is whether consumer confusion is likely to occur. In addition to the "standard" list of elements used to determine likelihood of confusion (see Chapter 6), courts now tend to give weight to other factors, such as the visual separation of the advertising from the search results (thus, many ads appear in separate boxes along the side of a screen) and whether the ads are clearly labeled as ads or "sponsored links." In such a case, key word advertising may not constitute infringement, even if it constitutes use in commerce. See *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011). In *Network Automation*, the Ninth Circuit expressly stated that a mark owner is required to show likelihood of confusion and not mere diversion when presented with an initial interest confusion question, thus disapproving the ruling in *Brookfield*. *Id.* at *8. (See Case Illustration.) Some experts believe that *Network Automation* may make it difficult for plaintiffs to assert claims for infringement based on key word advertising. Cases considering the issue generally hinge on their particular facts; however, it is clear that key word advertising that causes consumer confusion can constitute trademark infringement.

Trademark owners have also sued for trademark infringement when pop-up ads of their competitors appear on a user's computer screen when the user accesses the trademark owner's website. Courts have generally held that these pop-up ads do not constitute trademark infringement for two reasons: there is no use of the trademark owner's mark (because it is not displayed as part of the pop-up ads) and the situation is similar to a store's placement of its own generic products next to trademarked products to induce consumers to consider the store's less expensive product.

Phishing. Another relatively new trademark issue raised by the Internet relates to **phishing**, the act of using sophisticated lures to "fish" for sensitive financial information by e-mails or websites. For example, you may receive a legitimate-looking e-mail from

what purports to be a bank, displaying an accurate reproduction of the bank's logo or trademark, notifying you that your account has been breached and asking you to verify your account number. If you "bite," the phisher has your account number, password, and other personal information, and may steal your money and your identity. Because these schemes fraudulently use others' trademarks in a manner likely to cause deception or confusion, they are acts of trademark infringement. Because it is difficult to determine the identity of the phishers (especially if they are offshore), most financial institutions rely on educating their customers not to respond to such requests for financial or sensitive information. The database Whois (<http://www.whois.net>) may supply some information about the party hosting the originating e-mail site. Phishing may also constitute fraud, false advertising, cybersquatting (through use of another's trademark in a domain name for bad faith purposes), and violation of state law (if a state has an anti-phishing statute).

In sum, domain name decisions, linking and framing decisions, and key word, pop-up advertising, and phishing decisions rely on well-established trademark principles: If the defendant's conduct constitutes use in commerce and is likely to cause consumer confusion, infringement may be as readily found in cyberspace as in a conventional setting.

Trademark Policing on the Internet

Although many companies conduct annual or periodic audits and searches to review possible conflicting marks, the proliferation of use of marks and addition of new domains on the Internet adds yet another level of complexity to a trademark owner's duty to monitor and protect its marks. Many search companies review lists or databases of domain names, but further investigation may be called for due to the use of hyperlinking and embedded use of marks on others' sites. To access information about registered domains, go to <http://www.whois.net>, which provides information about parties who register domain names, host websites,

or provide connectivity to sites. Another company, Markwatch (<http://www.markwatch.com>), provides Internet monitoring services, blog tracking, and monitoring of eBay auctions. Similarly, MarkMonitor (<http://www.markmonitor.com>) represents more than one-half of the Fortune 100 companies to protect them against phishing, counterfeit sales, and domain name hijacking.

While most search engines (such as Google and Yahoo!) can search only for words or text, new software tools claim they can "see" images and logos in order to locate infringing uses of design marks. Finally, a company called Cyveillance Inc. (<http://www.cyveillance.com>) will scour the Internet looking for false and defamatory statements made about companies and their trademarked products as well as protect against phishing schemes and counterfeiting.

In addition to disclosing potential conflicts, periodic monitoring will reveal deadwood domains, namely, those not in actual use, so they may then be applied for and used by others. Although monitoring is well advised, no court has yet required trademark owners to constantly scour the Internet looking for offending trademark uses.

Internet Complaint Sites

Irate consumers have frequently set up their own websites, often called gripe sites, to complain about certain products or services. In one case, Bally Total Fitness claimed that its BALLY® mark was infringed by a defendant's "Bally Sucks" website. The court held there was no trademark infringement because consumers would not be confused inasmuch as the addition of the word *sucks* clearly distinguished the defendant's site from Bally's registered mark. The court also held that the website did not dilute Bally's mark inasmuch as the defendant's use was not commercial, and the federal dilution statute was not intended to prohibit noncommercial expression such as parody and satire. There was no tarnishment because the defendant's use was protected consumer

commentary. *Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp. 2d 1161 (C.D. Cal. 1998). Thus, the use of another's mark on a website (or even in a domain name, such as "www.i-hate-ibm.com") to complain about a product or service is permissible as long as there is no consumer confusion, the remarks are protected parody or noncommercial expression, and the content is neither false nor defamatory. Visitors to the site should know at a glance that the site is a criticism page. If so, the site is likely protected so long as it does not tarnish another's mark by associating it with unsavory activity such as sexual conduct or drug use.

Some gripe sites include links to competitors. Although this may render the use "commercial," generally a likelihood of confusion cannot be found because no reasonable viewer would believe that the company "griped about" would endorse such a site or message. Nevertheless, if the gripe site is used to deceive others into believing they are accessing a plaintiff's site or causes initial interest confusion, such transforms otherwise protected speech into commercial speech. There is no right to confuse viewers into thinking they are entering the target's site. In sum, only legitimate, noncommercial speech is protected.

Although "pure" gripe sites that use another's mark do not constitute trademark infringement (primarily because they are protected speech rather than "use in commerce" in connection with the sale of goods and services), they may constitute violations of ACPA, the cybersquatting statute, if a domain name such as www.i-hate-dell.com is registered in bad faith (such as if the critic offers to sell the site to the target). To prove trademark infringement under the Lanham Act, one must show a use in commerce; ACPA, however, has no such requirement—only a showing of bad faith intent to profit from use or registration of a distinctive domain name is required. Thus, if the gripe site owner links to other sites that compete with the target or offers to sell the gripe site domain to the target, an action under ACPA may lie as well as a proceeding under the UDRP to transfer the domain name to the target.

If it can be shown that actual harm has occurred from cyber-slander, judges often order Internet service providers to divulge the identity of the "speaker." Unless such harm is shown, the identity of Internet users is generally confidential. Otherwise, valid criticism and free speech would be chilled. Trademark law cannot be used to suppress criticism.

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- The first lawsuit brought under ACPA was filed by actor Brad Pitt against two domain name holders. Mr. Pitt was successful.
- J. Crew International Inc. won a decision under the UDRP after an individual registered "crew.com" and attempted to sell it to J. Crew. Other successful complainants include NASDAQ, Jennifer Lopez, Tom Cruise, and Spike Lee.
- A federal court has held that an Internet domain name registrar cannot be sued for civil rights violations for refusing to register domain names that included obscene terms.
- By 2009 Internet users had registered more about 175 million domain names.
- MarkMonitor has reported that in 2009, the vast majority of Internet abuses involved cybersquatting.
- As of mid-2011, WIPO had handled more than 20,000 domain name disputes.
- McAfee has reported that Web surfers have a 1 in 14 chance of landing on a typosquatting site due to mistyping a URL.

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CHAPTER SUMMARY

The Internet has dramatically changed communication. Along with that change, however, has come conflict over use of domain names and trademarks. The assignment of domain names, or Internet addresses, has resulted in disputes between the owners of domain names and the owners of trademarks. Courts have protected the rights of trademark owners against “cybersquatters,” those who register domain names in bad faith, for example, for the purpose of selling them to their rightful owners rather than for some bona fide use or purpose.

If a dispute arises between parties claiming rights to domain names, the aggrieved owner has a variety of avenues in which to pursue relief. Under the Anticybersquatting Consumer Protection Act, money damages can be obtained in court. Under the Uniform Domain Name Dispute Resolution Policy, a streamlined and inexpensive administrative procedure, a panel can cancel an abusive domain name or order it transferred to its rightful owner.

Use of the Internet also implicates First Amendment rights to freedom of speech. At present, courts have held that merely providing links to another party’s website is permissible. Deep linking (allowing a party to bypass a home page and proceed directly to relevant material) by itself (i.e., without confusion of source) is likely permissible, as is the use of a metatag or “hidden” mark or message used in a descriptive manner or fair use. If such use is likely to cause confusion, infringement may be found. Similarly, key word advertising is permissible so long as there is no likelihood of confusion. Using another’s trademark in a phishing scheme, designed to obtain personal information from Web users, is actionable. Merely having a passive presence or website on the Internet will likely not subject a party to personal jurisdiction; however, if goods are offered for sale or contracts are entered into through a website, a court may subject the website owner to personal jurisdiction. Finally, use of another’s mark on a noncommercial website for the purposes of satire, parody, or consumer commentary is likely permissible as long as there is no likelihood of confusion.

CASE ILLUSTRATION

KEY WORD ADVERTISING AS INFRINGEMENT

- Case:** *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011).
- Facts:** Network decided to advertise its products by purchasing certain key words to be used on Google and Bing. One of the words it purchased was ACTIVEBATCH, a trademark owned by Advanced Systems. When users searched for “Activebatch,” the results page showed Network’s website as a sponsored link. Advanced Systems objected to Network’s use of its trademark to interest viewers in Network’s website and products. The district court held there was a likelihood of initial interest confusion.
- Holding:** The Ninth Circuit reversed and remanded. Although use of a trademark as a search engine key word that triggers the display of a competitor’s ad is a use in commerce, the critical question is whether Network’s use of its competitor’s trademark is likely to cause consumer confusion. The court stated that the standard factors used to determine likelihood of confusion (strength of mark, similarities of goods and services, channels of trade, and so forth) should be applied flexibly and are non-exhaustive. The court then relied on other relevant factors, namely, the fact that the Internet search providers (such as Google) partitioned the search results pages so that the ads appeared in separately labeled sections. Because the district court did not consider such factors, the Ninth Circuit remanded the case to the district court for further proceedings.

CASE STUDY AND ACTIVITIES

- Case Study:** Holiday recently discovered that an individual named Hank Holliday has registered the domain name www.holliday.com to sell his cleaning products. Holiday desires to own and register the same domain name. Holiday has also paid Google for key word advertising for the word “cruise,” among others. When Internet users search for “cruise,” the results screen prominently displays links to Holiday; however, a box is also listed on the search screen, under the heading “ads” that identifies Carnival Cruises.
- Activities:** May Holiday initiate a proceeding under the UDRP to have the domain name www.holliday.com transferred to it? Has Carnival Cruises violated any of Holiday’s rights by placing its own ads next to Holiday’s trademarks?

ROLE OF PARALEGAL

Paralegals can assist in enhancing protection for trademark owners in a variety of ways:

- Monitoring new developments in cyberspace by reading articles of interest and visiting websites devoted to areas of trademark concern;
- Subscribing to Internet newsletters to keep informed of new developments in trademark law;
- Filing applications for domain name registrations;

- Assisting in periodic audits or reviews of uses of conflicting marks in cyberspace;
- Reviewing sites of the competitors of clients for embedded marks; and
- Checking links from and to clients' websites to ensure that neither the clients' nor third parties' marks are being infringed.

INTERNET RESOURCES

WIPO:	http://www.wipo.int (site of World Intellectual Property Organization, offering information and statistics about proceedings under the UDRP and a searchable database of UDRP decisions)
ICANN:	http://www.icann.org (site of Internet Corporation for Assigned Names and Numbers, offering information about gTLDs, domain name registration, and the full text of the UDRP)
Information on Internet and First Amendment–related issues:	http://www.chillingeffects.com (site devoted to examining issues relating to trademark use and the First Amendment and offering sample cease and desist letters and general information about issues such as deep linking and the use of metatags) http://www.internetlibrary.com/caseupdates.cfm (site offering newsletter and coverage of cases involving Internet law)

DISCUSSION QUESTIONS

1. Ann operates a website in California that provides information about her gift baskets. Gift baskets cannot be ordered through the site, but the site shows pictures of the baskets and allows viewers to send comments and suggestions to Ann. May Ann be sued in Missouri? Discuss.
2. Dan is unhappy with the service he received from Roto-Rooter Corporation, and has established a domain name called www.rotorooterscam.com. The website offers critical commentary about Roto-Rooter and asks users to submit their opinions about Roto-Rooter. Is Roto-Rooter, the owner of a federal registration for ROTO ROOTER®, likely to prevail in a trademark infringement case? In a suit brought under ACPA? Discuss. What if Dan used the site to promote his own drain and plumbing services? Discuss.
3. Your firm's client, Marriott International, Inc. has received complaints from customers that its website is pornographic. In investigating the issue, Marriott discovered that several misspellings of its name (for example, Mariott or Marriot) lead users to unsavory websites. The person who registered the domain names, Phil, has offered to sell the domains to Marriott. What is this practice called? What is the most efficient avenue for Marriott to pursue to obtain rights to these sites? Is the registrar of the site liable to Marriott? Why or why not?

4. Your firm's client, Toys R Us, Inc., has discovered a website www.adultsrus.com that provides pornographic pictures. What type of action might Toys R Us bring against the operator of the site?
5. Your firm's client, Bank of America, recently discovered that its customers have been receiving e-mails that display Bank of America's trademark and logo and that inform customers that the bank needs to verify their account status and ask for account numbers. What is this practice called? Will an action for trademark infringement lie? Discuss.
6. Your firm's client King Corp. is a well-known real estate company in your locality. When King Corp. attempted to register the domain name www.King.com, it discovered that an individual in New York, Jenna King, who operates King Design Services, Inc. had already registered www.King.com. Will King Corp. be successful in attempting to recover the name www.King.com? Discuss.

USING INTERNET RESOURCES

1. Access the website for Whois and locate information about the website <http://www.paralegals.org>.
 - a. Who is the registrant?
 - b. Who is the sponsoring registrar?
 - c. When will the domain name expire?
2. Access WIPO's site, and review its index of UDRP Panel Decisions. Locate the cases relating to individuals, specifically individuals in the entertainment industry. Locate Case D2006-0402.
 - a. What domain name was involved?
 - b. Who was the complainant?
 - c. Review paragraph 7 of the decision. What were the three results or conclusions reached by the panel?
3. Locate California Business & Professions Code § 22948. What is the name of this statute? Review § 22948.3. What remedy is a trademark owner who is damaged by a violation of this section entitled to?
4. Access ICANN's website and locate the Uniform Domain Name Dispute Resolution Policy. What does Section 4(i) provide?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 8

International Trademark Law

CHAPTER OVERVIEW

Foreign nationals who wish to offer their products and services under a trademark or service mark in the United States can seek registration under the Lanham Act. While foreign applicants can seek federal registration on the same bases as U.S. applicants, namely, based on actual use of a mark in commerce, or based on a bona fide intent to use the mark in commerce, three additional bases are available. First, the foreign applicant may apply for registration of a mark in the United States based on a pending application in a foreign country, and if the application was filed in the foreign country within the previous six months, the applicant will be able to use the earlier filing date as its priority date in the United States. Second, the applicant may apply for registration of a mark in the United States based upon a registration issued by a foreign country. Third, under the Madrid Protocol, a foreign entity with a trademark application or registration in its home country may seek to extend that protection to obtain a certificate of extension of protection in the United States, which is the equivalent of a U.S. registration. The advantage of using any of these latter three bases for registration is that none of them requires use in commerce, thus allowing foreign applicants to secure federal registrations for marks that are not in use in commerce in the United States.

Just as foreign nationals may apply for trademark protection in the United States, U.S. trademark owners should give serious consideration to protecting their marks in foreign countries. Because the trademark laws of various foreign countries are complex and often rapidly changing, most U.S. law firms work in tandem with attorneys in the foreign countries who will prosecute the application on behalf of the U.S. trademark owner. The priority date afforded to foreign applicants in the United States is also available to U.S. trademark owners who wish to seek trademark protection in various foreign countries. If the foreign application is filed within six months of the U.S. application, it will capture the earlier U.S. filing date for priority purposes.

A relatively new system, called the Community Trademark System, allows U.S. trademark owners to file one single application for the member nations of the European Union, thereby saving considerable time, effort, and money.

Similarly, the Madrid Protocol, an international treaty, allows a trademark owner to seek registration in any or all of the more than 80 countries that are members of the Madrid Protocol by filing a single application.

U.S. trademark owners who are considering foreign expansion should consider filing trademark applications in the countries in which they intend to do business to protect their marks and to ensure their marks are not “pirated” by unscrupulous third parties who register marks owned by others and then attempt to sell the marks to the rightful owners.

APPLICATIONS IN THE UNITED STATES BASED ON FOREIGN APPLICATIONS AND REGISTRATIONS

As discussed in Chapter 4, in the United States, application for federal registration of trademarks can be made by anyone based on actual use of the mark or a bona fide intent to use the mark in commerce

in the future. In addition to these bases, the United States has assumed certain obligations under international agreements in the trademark field, principally the Paris Convention for the Protection of Industrial Property of 1883, briefly mentioned in Chapter 1. The Paris Convention seeks to afford citizens of each member nation protection against unfair competition and trademark infringement and requires that member nations provide the same trademark protection to citizens of other member nations as they do for their own citizens. More than 170 countries are member nations of the Paris Convention, including Canada, Mexico, most of South America, Europe, and many African and Asian countries. (See Appendix A for a table of treaties and identification of members of the Paris Convention.)

Section 44 of the Lanham Act (15 U.S.C. § 1126) implements these agreements. Section 44 provides significant benefits to any person whose country of origin is a party to a treaty relating to trademarks to which the United States is also a party by allowing the party to file an application for registration of a trademark with the USPTO based upon one or both of the following.

- The applicant filed an *application* in his or her country of origin or a member nation within the previous six months and has a bona fide intent to use the mark in the United States (called a **Section 44(d) application** after Section 44(d) of the Lanham Act).
- The application in the United States is based upon a *registration* already secured in the applicant's country of origin or in a member nation and the applicant has a bona fide intent to use the mark in the United States (called a **Section 44(e) application**).

One of the significant benefits of the Section 44(d) application is that it affords the applicant a priority filing date; that is, if the applicant files an application in the United States within six months after filing the first application to register the mark

in the foreign country, the applicant's priority date in the United States will relate back to the earlier foreign filing date. For example, if Compagnie Le Chat of France files an application in France on March 1, 2011, and files an application under Section 44(d) with the USPTO anytime before September 1, 2011, the critical date for determining Compagnie Le Chat's priority in the United States with regard to conflicting marks is the foreign filing date of March 1, 2011. The application relied upon to claim priority must be the applicant's first application in a treaty country for the same mark and for the same goods or services.

A significant benefit of the Section 44(e) application is that it allows those who have secured registrations in a member nation to use that registration as a basis for securing a U.S. registration *even if the mark has not been used in the United States*. The U.S. principle is that the *first to use* a trademark has rights, while most foreign countries provide that the *first to register* a trademark has rights. Thus, many foreign countries allow registration of marks even though the marks have not been used. Once a registration is secured in the foreign country, it may then serve as a basis for securing a U.S. registration, with no use whatsoever of the mark anywhere in the world (although a bona fide intent to use the mark in commerce must be alleged in the U.S. application to ensure marks are not warehoused). In this way, foreign applicants receive more favorable treatment than U.S. applicants who can never secure a U.S. registration without a showing of use in commerce. All applicants under Section 44, however, must verify that they have a bona fide intent to use the mark in commerce in the United States.

Contents of Applications Made under Section 44

Applications made under Section 44 must comply with a variety of requirements, some of which are identical to those imposed on other applications

and some of which are in addition to those imposed on other applications. One additional requirement is that an applicant who relies on a foreign application under Section 44(d) must specifically assert its claim of priority by stating either in the application or before the end of the priority period, "Applicant has a bona fide intention to use the mark in commerce on or in connection with the above-identified goods/services, and asserts a claim of priority based upon a foreign application in accordance with 15 U.S.C. § 1126(d), as amended. The application was filed in [country] on [date] and was assigned the serial number [application filing or serial number]."

An applicant who relies on an existing foreign registration under Section 44(e) must submit a true or certified copy of the foreign registration during the prosecution process and state in the application, "Applicant has a bona fide intention to use the mark in commerce on or in connection with the above-identified goods/services and will submit a certification or certified copy of a foreign registration in accordance with 15 U.S.C. § 1126(e), as amended. The mark was registered in [country] on [date] and was assigned the registration number [registration number]." Typically, a certified copy of the foreign registration (not merely a photocopy) must be submitted before the USPTO will issue a registration. If the foreign registration is not in English, a translation must be provided together with a signature by the translator.

Applications filed under Section 44 (for applicants not domiciled in the United States) may also include a "Designation of Domestic Representative," which designates some person in the United States, typically a law firm, as the **domestic representative** to whom the USPTO can direct notices and correspondence regarding the mark. (See Exhibit 8-1.) Although a domestic representative has not been required since 2002, the USPTO encourages applicants to designate a domestic representative. In many instances, law firms in the United States have

The law firm of Bailey & Bailey, L.L.P., 4890 Terrace Place, Minneapolis, MN 09847, is designated the Applicant's representative upon whom notices or process in proceedings affecting the mark may be served, and all prior appointments in connection herewith are hereby revoked.

MAISON BLANC, S.A.
of France _____

By: _____

Title: _____

Date: _____

EXHIBIT 8-1 Designation of Domestic Representative

developed relationships with law firms in foreign countries, generally referred to as “foreign associates.” Each firm sends applications and business to the other to assist its own clients in securing trademark protection in foreign countries. Because U.S. lawyers are not experts in the trademark laws and procedures of foreign nations, these relationships allow U.S. law firms to refer business to respected attorneys in other countries. Similarly, the U.S. law firms usually expect that the foreign associates will refer trademark matters to them as well. The Trade-mark Data Sheet found in Exhibit 3-1 that is used to gather information from domestic applicants can be easily modified to gather information from foreign clients who wish to register their marks.

Applicants under Section 44 must submit a drawing of the mark applied for in the United States, just as is required of other applicants, and the drawing must be a substantially exact representation of the mark as it appears in the foreign application or registration. Applicants under Section 44 also must identify the goods and services applied for and specify the international class for the goods or services. Many foreign countries allow applicants to claim all goods in an entire class or allow broad identifications of goods (such as “computer goods in I.C. 9”), but that would not be permissible in the

United States, and the examining attorney at the USPTO may request a more specific identification in accordance with general USPTO policy. Because an application filed under Section 44 does not require use of the mark in commerce, such an application will generally not state a date of first use. Similarly, because the mark need not be in use, specimens are not usually filed with the applications.

Examination of Applications Made under Section 44

Although applications made under Section 44(d) (based upon a pending application in a member nation) and Section 44(e) (based upon an existing registration in a member nation) are exempt from the actual use requirements of the Lanham Act, they must meet all other requirements for registration set forth in the Lanham Act. In fact, as noted in *Honda v. Winkelman*, 90 U.S.P.Q.2d 1660 (T.T.A.B. 2009), in determining whether a party has a bona fide intent to use a mark in commerce, the standard is the same for foreign applicants under Section 44 as for U.S. applicants who apply for registration based on their intent to use a mark under Section 1(b), and a mere statement of one's intent to use a mark in the future is insufficient; applicants must possess both

an ability and a willingness to use a mark at the time an application is filed. In this regard, a lack of documentary evidence (such as marketing plans) may show a lack of bona fide intent to use the mark in commerce. *Id.* (See Case Illustration in Chapter 4.)

Securing registration in the country of origin does not guarantee registration in the United States because Section 44 applications are subject to the same review as other applications and may be refused on the basis they are scandalous or immoral, merely descriptive, or confusingly similar to a registered mark or a mark in a pending application. Office actions may be issued and must be responded to in six months, just as is required for other applications. If a mark that is the subject of a Section 44 application is refused registration on the basis that it is merely descriptive, the Section 44 applicant may assert (just as its U.S. counterpart would) that the mark has acquired distinctiveness or secondary meaning through its long-standing and continuous use such that consumers, upon encountering the mark, recognize it as the applicant's mark and have come to associate the mark with the applicant. However, such a claim of acquired distinctiveness must be based upon use in commerce in the United States; the applicant may not rely on use solely in a foreign country to show the mark has acquired such distinctiveness or secondary meaning that it is not merely descriptive.

For applications filed under Section 44(d) (based upon a pending foreign application), the applicant will eventually be required to submit a certified copy of the resulting registration issued by the foreign country before the mark can be published in the *Official Gazette* and then registered by the USPTO. A translation may be necessary if the registration is in a foreign language. If the foreign application is subject to delays, the USPTO may suspend action on the U.S. application until the foreign registration is issued. The USPTO generally requires that the applicant submit written status reports every six months informing the USPTO of the status of the pending

application and when registration in the foreign country is expected. Failure to respond within the appropriate time period will result in abandonment of the U.S. application. Once the application in the foreign country matures into a registration there, the corresponding U.S. registration can be granted.

Registration of Marks Applied for under Section 44

After publication of the mark in the *Official Gazette*, and assuming there is no opposition made to registration of the mark, the mark will proceed to registration on the Principal Register, if eligible. Otherwise, it will be registered on the Supplemental Register. Once issued, the U.S. registration exists independently of the underlying foreign registration and is subject to all provisions of the Lanham Act that apply to all other registrations, such as affidavits of use, renewals, assignments, and similar matters. Thus, although the applicant need not have actually used its mark in the United States to obtain a U.S. registration, actual use must occur within a reasonable time thereafter to avoid cancellation for abandonment and because the Section 8 affidavit (due between the fifth and sixth years after registration and every 10 years) must verify that the mark is in use in commerce in the United States. When submitting any other documents, the foreign applicant or registrant may and should designate a domestic representative in the United States upon whom notices and documents affecting the mark may be served (see Exhibit 8–1).

SECURING TRADEMARK PROTECTION IN FOREIGN COUNTRIES

Introduction

The globalization of the world economy and ever-expanding markets in other countries for goods and

services from the United States has made trademark protection abroad an increasing interest of many U.S. companies. In many instances, a vital part of a company's market strategy includes penetration of foreign markets with a concomitant need to protect the trademarks and service marks under which goods and services will be offered. Similarly, a trademark owner may need to consider defensively registering its marks in countries in which trademark piracy is common so that if and when it decides to enter a foreign market, its mark is available to it.

One of the first treaties or "conventions" designed to address trademark protection in foreign countries was the Paris Convention of 1883, adopted to facilitate international patent and trademark protection. The Paris Convention is based on the principle of reciprocity so that member countries guarantee to the citizens of other member countries the same rights in intellectual property matters that they provide to their own citizens. This is often called the principle of "national treatment."

Perhaps the most significant benefit provided by the Paris Convention is that of priority. An applicant for a trademark has six months after filing an application in a member nation to file a corresponding application in other member countries and obtain the benefits of the first filing date. Because most foreign countries issue trademark registrations to the first-to-file, capturing the earliest possible filing date is critical. The text of the Paris Convention is available at <http://www.wipo.int>.

Initial Considerations

Because most countries do not recognize common law marks (as does the United States), and protect trademarks only through registration, trademark owners need to carefully consider whether the mark should be applied for in any foreign countries. Another initial factor to consider is the meaning of the mark in various foreign languages. One of the classic

international trademark stories is that of Chevrolet's adoption of the mark NOVA in various foreign countries for a compact car. While NOVA connotes "new" or perhaps "star" in English, the literal translation in Spanish of "no va" is "it does not go," immediately dooming the product to ridicule or failure. Thus, if a trademark owner intends to "go global," the assistance of trademark experts in foreign countries is necessary even before a mark is adopted to ensure the mark's translation into the respective foreign language is acceptable.

Once a mark, or perhaps several alternatives, has been selected, international searches should be conducted. Although the search companies identified in Chapter 3 are capable of conducting extensive international searches, many law firms prefer to ask their foreign associates to conduct the search, believing they are most capable of reviewing the results, interpreting the results of the search, and providing an opinion regarding availability of the mark for registration. Once again, the relationships between U.S. trademark counsel and their foreign counterparts can be long-standing and intimate. Some trademark firms have established relationships with foreign law firms that date back for several generations and are based on mutual respect and business interests.

Some preliminary searching of some foreign databases can be done online. For example, one can search the databases of the trademark offices of the European Union at <http://www.oami.eu>; similarly, WIPO allows searching of marks registered under the Madrid system. However, because many foreign countries allow very broad descriptions of goods and services, it can be difficult to determine if those goods and services might conflict with a U.S. client's goods and services. Thus, after a preliminary search discloses the mark may be available, a foreign associate should be contacted to conduct a comprehensive search and provide an opinion as to registrability of the proposed mark.



WORKING WITH FOREIGN ASSOCIATES

Paralegals must always ensure that those with whom they work understand that they are not attorneys. To ensure that foreign associates/counsel (who may not be familiar with law firm position titles) understand your role and position, make sure that all of your correspondence is clearly marked not only with your name but your position. Signing documents as “Marissa Peters, Paralegal to Hillary Parks” should be sufficient to clarify that you are a paralegal and not an attorney.

The Foreign Application

Just as foreign applicants can file an application with the USPTO and claim priority based on a pending foreign application, so too can U.S. applicants claim such benefits afforded by the Paris Convention. Therefore, upon filing an application in the United States for a client, many U.S. law firms confirm the filing particulars and inform the client that if protection for the mark is desired in any foreign country, such a decision should be made within six months from the USPTO filing date in order to claim priority in the member nation and secure the benefit of the earlier U.S. filing date. (See Exhibit 8–2.) Similarly, just as foreign applicants can use a foreign registration as a filing basis in the United States, U.S. companies can use registrations issued by the USPTO as a basis to secure registration of marks in any of the more than 170 member nations of the Paris Convention.

Trademark owners who are considering global expansion should file trademark applications in any countries in which they anticipate they may do business. Because most countries do not require that a mark be in use to be registered, filing applications in foreign countries allows U.S. trademark owners to protect their marks in anticipation of future expansion and may deter others from using similar marks for similar goods or services. Similarly, in many

countries, because use is not required to secure a registration, third parties often attempt to register marks in anticipation of the entrance of a trademark owner. These “trademark pirates” then attempt to sell the marks to their true owners. Alternatively, pirates register copycat marks, such as registrations secured for “Pizza Hot” and “Sharaton Hotels” in Cambodia. Thus, filing applications in foreign countries preempts trademark piracy and reserves the mark for its rightful owner. Recently, the United States has been pressing its trading partners to strengthen their laws to prevent such acts of piracy and provide stronger protection to the intellectual property rights of U.S. citizens.

The progress of an application filed in a foreign country varies dramatically based upon the country. Some countries have an expeditious procedure, and others take several years. A few countries do not yet recognize service marks. Therefore, if a client is engaged in hotel or restaurant services, rather than forego the opportunity to secure any trademark protection in such a country, the owner may seek registration in I.C. 16 for its printed matter, menus, and brochures relating to the hotel or restaurant services. Some countries, such as Saudi Arabia, have nearly prohibitive filing fees. Others, such as Italy, have more reasonable fees but take three years or more to process the application. Searching can be speculative inasmuch as some countries lack sophisticated

March 30, 20xx
Mr. John R. Taylor
Holiday Cruises, Inc.
885 Third Avenue, 24th Floor
New York, NY 10022

Re: Mark: HOLIDAY TIMES
Serial No.: 85/034,598
Filing Date: January 3, 20xx

Dear Mr. Taylor:

We are pleased to enclose a confirmation of the filing details from the United States Patent and Trademark Office (USPTO) in connection with the application filed for HOLIDAY TIMES on January 3, 20xx. We have reviewed the information and it appears to be correct; however, if you notice any errors, please inform us so we can ensure the USPTO records are corrected.

In view of the number of applications at the USPTO, no action in connection with this application should be expected for approximately two to four months.

If protection for this mark is desired in any foreign country, or if you plan to expand your business and offer products and services in any foreign country, please notify us immediately. In most countries, it is possible to obtain the benefit of the U.S. application's filing date if the foreign application is filed within six months of the U.S. filing date. In your case, applications in foreign countries must be filed by **July 3, 20xx** in order to claim priority.

We will continue to keep you informed of any further developments in connection with this application.

Sincerely,

David N. Bailey
Bailey & Bailey, L.L.P.

EXHIBIT 8-2 Letter to Client Advising of Foreign Priority Date

databases and are unable to search for designs or phonetic equivalents of marks and the like. Just as learning the rules and processes of the USPTO requires patience and determination, learning the vagaries of international trademark offices requires the same. In almost all instances, the services of reputable foreign counsel should be retained. To locate counsel with experience in trademark matters, consult *Martindale-Hubbell Law Directory*, which provides information and biographical sketches of foreign counsel, or contact the International Trademark Association (INTA), an association of approximately 5,500 trademark owners and practitioners from all over the world, at <http://www.inta.org>.

The nature and type of examination of an application pending before a foreign trademark office vary greatly, with some countries subjecting the mark to strict scrutiny and issuing refusals similar to the office actions issued by the USPTO, while other countries merely review the form of the application and then issue a registration unless there is a prior identical mark or nearly identical mark. Registrations are usually valid for 10 years and may be renewed for like periods. Although a registration may be obtained in many foreign countries without any use of the mark, proof of use often must be submitted after the third or fifth year of registration. If use is not proved, the

registration will be canceled, similar to the U.S. practice of canceling registrations if the Section 8 affidavit of continued use is not submitted between the fifth and sixth years and every 10 years after registration.

If the owner of a foreign trademark registration allows or licenses another to use the registered mark, many countries require that a **registered user agreement** be filed with the foreign trademark office, providing information about the owner of the mark, the licensee, and various other license terms. Recall from Chapter 5 that in the United States licensing arrangements are viewed as private agreements between the concerned parties, and are therefore seldom recorded with the USPTO.

The European Community Trademark

In 1996, a new **Community Trademark (CTM) System** was established by the then 15 member countries of the European Union (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom). The new system made it possible for an applicant to file an application for one trademark or service mark that can be protected in each of the member countries of the **European Union (EU)**. A single application in a single language may cover any number of classes of goods or services, although the initial fee (900 euros for e-filing) covers up to only three classes of goods/services. The CTM blanket application covering the member nations of the EU (a market of more than 490 million consumers) provides significant protection at a considerable savings over filing separate applications in the member nations. Consistent with the philosophy of many foreign countries, actual use is not required to secure a registration. The CTM System does not replace the trademark offices in the member nations but coexists with them.

The primary European trademark office for the filing of the CTM application is the Office for Harmonization in the Internal Market, located in Alicante, Spain. An application may, however, also be filed with any one of the national offices of the European Union countries or in the Benelux trademark office, in which case it will then be transmitted to Alicante for prosecution. There is no requirement to be domiciled in any EU member nation or to have actually used the mark anywhere in order to file a CTM application (although genuine use of the mark must occur in the EU within five years following registration to avoid revocation of the registration). Another distinct advantage to the CTM application is that there is no need to perform a search prior to filing the application. The central office will prepare a search report indicating possible conflicting marks and provide it to the applicant, although the applicant may optionally request (for a fee) that searches be performed at 11 of the national trademark offices. The central office will not refuse registration of a mark on the basis it is identical to that of another CTM registration; it will rather inform the other party who will then have an opportunity to oppose registration. After examination, the mark will be published for opposition purposes. If there is no opposition within a three-month opposition period, the mark will proceed to registration about six months after the application is filed. Once registered, the CTM registration is valid for 10 years from the date of filing and may be renewed for successive 10-year periods by filing one renewal application that keeps the registration in force in all member countries. Although the mark need not be in use in order to be registered, it must be in use by five years after registration to avoid cancellation (called “revocation”) by a third party; however, use in any member country constitutes use of the mark for all member countries. Each EU member nation must designate a special court to determine CTM matters, such as infringement of a CTM trademark.

Among the advantages afforded by the CTM System are the following:

- An attractive fee structure is provided, both in terms of the official fees and the reduction in the number of trademark attorneys required.
- The unitary filing simplifies licensing, assigning, or renewing the mark.
- A single infringement action may be brought to cover all countries in the European Union for any infringement occurring anywhere in the EU, and a decision is enforceable in all EU countries.
- Priority can be claimed in the CTM application if another trademark application was filed within the previous six months in a member nation of the Paris Convention, allowing the CTM application to capture the earlier priority date.
- Use in any one of the member nations of the EU constitutes use of the mark for all member countries and will protect a CTM registration throughout the EU against cancellation of a registration due to nonuse of a mark.
- A user-friendly filing system allows applications to be filed by facsimile or electronically (in which case, fees are reduced).

A disadvantage of the CTM System is that a CTM application can be refused if a ground for refusal exists in just one member country. For example, if a trademark consists of a generic name in one official language of a member country, the central office will refuse registration. In such a case, the CTM application fails completely, in an all-or-nothing scenario. As a safety net, however, a party may then convert the CTM application into separately filed applications in any country in which the application has not been refused. The converted applications have the same filing date as the earlier-filed CTM application. Another disadvantage is that because the central office does not reject an application on the basis that the mark in the application is identical to that of another, receiving a CTM registration is no

assurance that the registrant may not have to face an infringement claim by a prior registrant (although, of course, the same can be said of U.S. registrations; there is always the risk that a third party may claim infringement).

Notwithstanding any disadvantages, in just the short period of time since the CTM System was established, it has proven to be enormously successful, and typically, more than 80,000 CTM System applications are filed each year.

The EU enlarged its membership and accepted 10 new member states in mid-2004 (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia), and two more in 2007 (Bulgaria and Romania). Negotiations with Turkey, Croatia, and the former Yugoslav Republic of Macedonia are in process. The EU has also accepted an application for membership from Iceland. If a party has a CTM registration in force at the time of enlargement, protection is automatically extended to the territories of the new member states.

In sum, the CTM System allows a trademark owner to achieve uniform trademark protection in all 27 member countries of the EU by filing only one trademark application. A single filing fee, one application, one registration, one renewal, and simplified use and licensing requirements make the CTM System an attractive way to achieve significant protection for a trademark throughout the EU.

The Madrid Protocol

Introduction. In April 1996, the Madrid Protocol came into existence at the instigation of the World Intellectual Property Organization (WIPO), allowing trademark protection for more than 30 countries and all of the EU countries by a single trademark application. The United States became a party to the Madrid Protocol in late 2003. At present, more than 80 countries are members of the Madrid Protocol.

There are two types of Madrid Protocol applications: those filed by U.S. applicants with the USPTO designating foreign countries in which protection is desired and those filed by foreign applicants with the USPTO seeking protection in the United States. The process is much the same for both. The Madrid System is administered by WIPO's International Bureau (IB).

U.S.-Based Applications Outbound to Foreign Countries

- The international application must be made by a person who is a U.S. national, is domiciled in the United States, or who has a real and effective commercial establishment in the United States, and must be based on a U.S. application or registration (the “basic application” or “basic registration”).
- The international application may be submitted to the USPTO electronically, using TEAS, or may be submitted on paper using the IB's form together with the appropriate fees. It must be filed in English.
- The international application must be for the same mark and must be for identical (or narrower) goods or services as those in the basic application or basic registration. It may list or designate any or all members of the Madrid Protocol, including all 27 nations in the EU.
- The USPTO will then certify that certain information in the international application is the same as the information in the basic application or registration and forward it to the IB.
- The IB will review the application and if there are no irregularities in the application, will register it and publish it in the *WIPO Gazette of International Marks* and notify the various countries in which registration is sought. If there are irregularities, such as in the fees paid or description of the mark, they must be corrected.
- The various countries in which protection is sought will now examine the “international registration” through their usual examination processes and determine whether it may be extended for protection in their countries.

Foreign-Based Applications Inbound to the United States

- A non-U.S. person or company who has an application or registration in its home nation's trademark office files a request (with the appropriate fees) with its home trademark office for an extension of protection of its rights to the United States on the Principal Register (there can be no request for extension of protection on the Supplemental Register). The United States calls this a § 66(a) application (based on § 66(a) of the Lanham Act). The application must include a declaration that the applicant has a bona fide intent to use the mark in the United States.
- The applicant's home office will certify the request for extension of protection and transmit it to the IB.
- After examination for informalities by the IB, the request for extension of protection is “registered” at WIPO, published in the *WIPO Gazette of International Marks*, and transmitted by WIPO to the USPTO.
- The USPTO will now examine the application just as any other application is examined at the USPTO. Office actions may be issued.
- If the request for extension of protection is approved by the USPTO, it will be published in the *Official Gazette* for opposition purposes. If there is no opposition, the USPTO will issue a certificate of extension of protection, which has the same effect and validity as any registration on the Principal Register.
- The registration is subject to all U.S. requirements relating to use. Thus, although use in

commerce in the United States is not required to receive a registration under Section 66(a), the holder must file an affidavit of use between the fifth and sixth years after the United States issues the certificate of extension of protection and every 10 years thereafter. The registration is entitled to incontestable status.

Paris Convention Priority. Under the Paris Convention, the international application may capture an earlier filing date if it is filed within six months after the first filing date in another Paris member country. The claim of priority will be part of the request for extension of protection sent to the USPTO by the IB.

Automatic Registration. An examining trademark office in any Madrid Protocol country must notify the IP within a certain time period if it is refusing protection. If a notification of refusal is not sent to the IB within the required time limits (12 months for most nations and 18 months for the United States), protection *must* be granted to the mark in that country.

Dependency. For five years after any Madrid Protocol extension of protection is “registered,” it is dependent on the status of its home-country basic application or registration; if such is invalidated for any reason (for example, the basic application is refused registration on the basis that it is merely descriptive), the resulting international registration will also be invalidated, under the principle of **central attack**. After five years, the international registration stands on its own and exists independently of its home-country application or registration. Nevertheless, if the international registration is canceled it may undergo “transformation,” and may be converted or transformed into national applications in the various countries in which it was previously effective. A request to transform filed with the

USPTO must, of course, have a proper filing basis, namely, it must be filed based on actual use of the mark or a bona fide intent to use the mark in the United States (under Section 1) or it must be based on a foreign application or foreign registration (under Section 44).

Subsequent Designation. A holder of an international registration may later “add” other countries to the registration by filing a request for subsequent designation.

Assignments. If the international registration is assigned to another or the holder changes its name, such changes can be accomplished by filing a single form with a single set of fees (typically filed with the IB).

Duration. An international registration lasts for 10 years from the date of registration (generally, the filing date in one’s own national trademark office) and may be renewed for additional 10-year periods by paying a renewal fee to the IB. If the international registration is not renewed, the IB will notify the USPTO that the registration has expired, and the corresponding extension of protection to the United States will expire and be cancelled. The effective date of the renewal is the same for all designations contained in the international registration, irrespective of the date on which such designations were recorded in WIPO’s International Register.

Searching. One may search and review all international trademark registrations currently in force using WIPO’s database called “ROMARIN” at <http://www.wipo.int/madrid/en/romarin>.

Advantages of the Madrid Protocol. The Madrid Protocol facilitates a one-stop, low-cost, efficient system for the international registration of

trademarks by permitting a trademark owner to file for registration in any or all Madrid Protocol member nations by filing one application with its home office, with one fee. The previous system required the filing of individual trademark applications in different languages in multiple trademark offices (with different renewal dates as a result), usually requiring retaining numerous attorneys. Moreover, managing one's international portfolio is far easier under the Madrid Protocol because there is only one document filed at the IB to renew all international registrations, and assignments can be recorded with effect for all designated countries by filing a single document with the IB.

Disadvantages of the Madrid Protocol. There are few disadvantages of the Madrid Protocol. Some popular foreign filing countries, however, are not members of the Madrid Protocol, including Canada, Mexico, and most of Latin America. Another disadvantage is that if a mark registered under the Madrid Protocol is later assigned to a party in a nonmember country, the Madrid application or registration will be invalidated. Finally, there is no provision under the Madrid Protocol to revise or amend a registered mark.

The Madrid Agreement

Another treaty, the Madrid Agreement, similarly provides for international registration of trademarks among its 56 member nations. Countries may belong to either the Madrid Agreement, the Madrid Protocol, or both. The United States is not a member of the Madrid Agreement. The Madrid Protocol, although parallel to the Madrid Agreement, is considered more flexible and comprehensive. For example, the Madrid Protocol allows one to file an international application based on either a registration or an application in one's home country; the Madrid Agreement requires a registration—one cannot file

an application for international registration based solely on an application. Moreover, the Madrid Agreement does not allow for transformation to a national registration of an international registration that has been invalidated due to central attack.

Developments in Eastern Europe

The disintegration of the Communist bloc into independent republics greatly changed trademark practices in Eastern Europe and the former Soviet Union. The Soviet Union, once a single nation, has now become 15 countries, each of which is attempting to achieve some degree of free market economic development. Many of these countries have their own trademark offices, and it is now possible to file applications in each country.

The breakup of Czechoslovakia led to the creation of two trademark offices, one in the Czech Republic and one in Slovakia. Each has adopted its own trademark laws, and each accepts trademark applications. It is also possible to file trademark applications in Croatia, Slovenia, and the former Yugoslav Republic of Macedonia. Some countries such as Iran are presently subject to U.S. trade embargoes, and U.S. citizens are not permitted to file applications there.

EFFECTS OF NEW INTERNATIONAL AGREEMENTS (NAFTA, TRIPS, AND THE TRADEMARK LAW TREATY)

The North American Free Trade Agreement (NAFTA) came into effect on January 1, 1994, and is adhered to by the United States, Canada, and Mexico. The most significant change in U.S. trademark law resulting from NAFTA is that trademarks that are primarily geographically deceptively misdescriptive cannot be registered in the United States, even if they have acquired secondary meaning.

The World Trade Organization (WTO) is located in Geneva and is a global international

organization dealing with rules of trade among nations. Its primary function is to oversee and administer various agreements entered into by most of the world's trading nations. The agreements are created through a series of negotiations, called "rounds." The WTO was formally created by the Uruguay Round negotiations and was established in 1995, although it is a successor to the General Agreement on Tariffs and Trade (GATT), which itself was established after World War II. One hundred and fifty three countries are members of the WTO, and the United States has been a member since January 1, 1995. GATT was both an organization (which was replaced by the WTO) and an agreement (which still exists but has been amended and incorporated into TRIPS, discussed later).

The Uruguay Round negotiations brought intellectual property rights into the GATT-WTO system for the first time through an agreement called the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). TRIPS is the most comprehensive multilateral agreement on intellectual property. The first of two key changes to U.S. trademark law resulting from TRIPS is that nonuse of a mark for three years must be shown for a registration to be canceled for such nonuse (prior to TRIPS, the United States followed a rule that two years of nonuse of a mark resulted in a presumption of abandonment). The second change is that TRIPS provides that all signatory countries must prevent the use of a trademark that misleads consumers as to the geographical origin of goods. Even stronger protection is provided for geographical indications for wines and spirits, in that TRIPS precludes registration of marks for wines and spirits unless they originate from the place named. For example, a wine bearing the mark SONOMA must originate in that region of the United States.

The **Trademark Law Treaty** was concluded in 1994 and implemented in the United States in 1998 under the Trademark Law Treaty Implementation

Act. The purpose of the treaty is to simplify and streamline trademark registration procedures in various countries so that procedural requirements of different countries would be more consistent with each other. As a result of the treaty, the United States now only requires one specimen showing use of a mark (rather than three as was previously required) and allows abandoned applications to be revived if the applicant alleges unintentional delay (rather than unavoidable delay, a much stricter standard). The treaty is administered by WIPO, and nearly 50 countries are members.

INTERNATIONAL ASSOCIATIONS

There are a variety of international associations devoted to protecting the rights of trademark owners. The best known are the International Trademark Association (INTA) and WIPO.

International Trademark Association (INTA)

The International Trademark Association was founded in 1878 as the United States Trademark Association and is dedicated to the advancement and support of trademarks as valuable items of world commerce. It is a not-for-profit association that serves its members and actively pursues private and public policy matters concerning trademarks. More than 5,500 trademark owners and professionals from more than 190 countries belong to INTA, together with others interested in promoting trademarks such as law firms practicing in the field of trademarks, academics, and advertising agencies that deal with trademarks.

INTA has played a significant role in trademark legislation, including promotion of the passage of the U.S. Trademark Act in 1946, the 1988 Trademark Law Revision Act (designed to bring U.S. trademark law into conformity with that of

the international community), and the Trademark Dilution Revision Act of 2006. INTA presently advocates that all WIPO member nations adhere to the Madrid Protocol and is taking a leading role in advocating Madrid Protocol membership in Latin America. INTA is also opposed to the adoption of new gTLDs by ICANN (see Chapter 7). In 1993, a name change from United States Trademark Association to International Trademark Association was effected to reflect the association's worldwide focus. INTA offers a variety of educational seminars and publications, including many worthwhile materials available for free on the Internet (see INTA's home page at <http://www.inta.org>). INTA is located at 655 Third Avenue, 10th floor, New York, NY 10017-5617 (212/642-1700).

World Intellectual Property Organization (WIPO)

WIPO, founded in 1893, is an intergovernmental organization headquartered in Geneva, Switzerland. Since 1974, WIPO has been a specialized agency of the United Nations. Its purposes are to promote a balanced intellectual property system throughout the world through cooperation among nations and to administer 24 multilateral treaties dealing with

intellectual property, including the Paris Convention, the Madrid Protocol, the Trademark Law Treaty, and the Berne Convention. WIPO encourages new treaties and modernization of national legislative bodies, disseminates information, and provides technical assistance to developing nations. More than 180 nations are members of WIPO. (See Appendix A for identification of WIPO members.)

Additionally, WIPO has an Arbitration and Mediation Center whose purpose is to offer binding arbitration or nonbinding mediation services to resolve intellectual property disputes between parties. These services are available to any person, regardless of nationality. As discussed in Chapter 7, WIPO is one of four dispute-resolution service providers for cybersquatting disputes.

WIPO promotes protection of all aspects of intellectual property (trademarks, copyrights, and patents), while INTA is devoted exclusively to promoting trademarks. WIPO offers a variety of useful information on the Internet, including the list of international classifications for trademarks, texts of treaties administered by WIPO, and various publications and resources, including ROMARIN, its database of marks registered under the Madrid Protocol (see WIPO's home page, located at <http://www.wipo.int>).

TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA

- The Paris Convention has more adherent nations than any other IP-related treaty.
- A CTM application may be filed in any one of the 22 languages of the EU nations.
- Approximately 20 percent of all CTM applications are filed by U.S. applicants.
- As of 2010, nearly 700,000 CTM registrations had been issued. Nearly 40,000 international applications were filed under the Madrid system in 2010, with the United States ranking as the third largest filer (after Germany and the EU).
- INTA was established more than 130 years ago by 17 merchants and manufacturers to protect and promote the rights of trademark owners.
- WIPO administers 24 treaties related to intellectual property.

TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA

CHAPTER SUMMARY

A foreign national may file an application for trademark registration with the USPTO on the basis of actual use of the mark in commerce in the United States, a bona fide intent to use the mark in commerce in the United States, or on the bases of a pending application or existing registration in a foreign country. If the application is filed with the USPTO within six months of its filing in the foreign country, it will retain its earlier foreign filing date for purposes of determining priority rights in the mark. Once filed, the application will proceed similarly to other applications, although to secure a U.S. registration, the applicant must submit to the USPTO a certified copy of the registration issued by the foreign country. One significant difference is that while U.S. applicants can receive a registration only upon a showing of actual use, foreign nationals can obtain registrations without ever using the mark (inasmuch as their U.S. registration is based upon their foreign registration, which may not have required use). Under the Madrid Protocol, foreign nationals may also file a request for extension of protection of their home-issued application or registration to the United States. Madrid Protocol applications for international registration do not require actual use in the United States (although use must be proved at some point after registration).

Just as foreign nationals may seek protection for their marks in the United States, U.S. trademark owners may seek protection for their marks in various foreign countries. The assistance of a foreign associate who is expert in trademark law in the relevant country is nearly always required. As with applications filed by foreign nationals in the United States, applications filed in countries that are members of the Paris Convention within six months of the date of a U.S. application capture the earlier U.S. filing date for priority purposes. U.S. trademark owners should file applications in countries in which they intend to do business and in any countries that have a history or tradition of trademark piracy, namely, countries in which third parties attempt to register marks for goods or services they will not be offering in anticipation of the entrance of a foreign trademark owner to whom they can then sell the mark.

A relatively new system called the Community Trademark System allows trademark owners in the United States to file one single trademark application and receive a single registration covering all 27 member nations of the European Union, resulting in significant savings of time and money.

Similarly, the Madrid Protocol allows a trademark owner to seek registration in any of the more than 80 Madrid Protocol member nations by filing a single application with a single set of fees, in English.

CASE ILLUSTRATION

EFFECT OF FOREIGN REGISTRATION IN UNITED STATES

Case: *Order Sons of Italy in America v. Marofa S.A.*, 38 U.S.P.Q.2d 1602 (T.T.A.B. 1996) (not designated for publication)

Facts: Order Sons of Italy in America, a fraternal organization formed to fight bias against Italian Americans, opposed the registration of COSA NOSTRA for restaurant services, arguing that the mark tended to disparage Italian Americans because it referred to a small group of organized criminals in Italy and America. The applicant alleged that because the mark was registered abroad, it had a right to registration in the United States.

Holding: International treaties do not bestow any absolute right of registration on a foreign applicant. All normal bars to U.S. registration, such as bars to immoral or scandalous marks or bars to marks that may disparage, are applicable to trademark applicants made by foreign nationals.

Note: Applicant's application for COSA NOSTRA was abandoned after the TTAB sustained the opposition.

CASE STUDY AND ACTIVITIES

Case Study: Holiday plans to use the trademark ROAM'N HOLIDAY for cruises originating in France and Italy. Holiday is also considering launching a new ad campaign in several foreign countries, including China, under the mark HOLIDAY: THE FUN ONE!, for which it has a U.S. application, filed five months ago with the USPTO.

Activities: Discuss the strategies Holiday should use to obtain protection for these marks.

ROLE OF PARALEGAL

International trademark work can be interesting and challenging. Working with clients and attorneys from foreign countries provides an international perspective on trademark law. Individuals with fluency in other languages should emphasize such skills to potential employers, who are often in need of translations of foreign documents and correspondence.

Among the tasks IP paralegals will undertake in the area of international trademark law are the following:

- Assisting clients and foreign associates in completing a trademark data worksheet to determine what marks should be protected in the United States;
- Preparing applications based on Section 44 and securing either filing particulars about a pending foreign application or a certified copy of the foreign registration;

- Monitoring the progress of Section 44 applications and corresponding with foreign associates regarding the same;
- Notifying U.S. clients of the advantages of filing applications in Paris Convention nations within six months of the date an application is filed with the USPTO;
- Working with foreign associates in filing and monitoring applications for marks in foreign countries;
- Maintaining dockets to track the progress of foreign applications;
- Providing status reports to clients regarding the progress of foreign applications; and
- Reviewing registration certificates and docketing same for maintenance and renewal.

INTERNET RESOURCES

Information on Section 44 applications: See TMEP at <http://tess2.uspto.gov/tmdb/tmep> (see Chapter 11).

Information on the Madrid Protocol: The USPTO offers detailed information about the Madrid Protocol, including basic facts, FAQs, and a link to Chapter 19 of the TMEP, which deals with the Madrid Protocol, at <http://www.uspto.gov/trademarks/law/madrid/index.jsp>.

Texts of Paris Convention and Madrid Protocol: WIPO's website at <http://www.wipo.int> includes basic information about the Paris Convention and the Madrid Protocol, their full texts, and identifications of contracting parties.

Information about CTM applications: The website of the Office for Harmonization in the Internal Market at <http://oami.europa.eu/ows/rw/pages/index.en.do>

World Trade Organization: <http://www.wto.org> (website offers information about the WTO and full text of TRIPS and Uruguay Round agreements)

International Trademark Association: <http://www.inta.org>

World Intellectual Property Organization: WIPO's site offers a searchable database for marks registered under the Madrid Protocol, helpful information, access to the academic and influential *WIPO Journal*, and an International Application Simulator for Madrid Protocol applications at <http://www.wipo.int>.

DISCUSSION QUESTIONS

1. Carlos, a Spanish citizen, used his trademark registration in Spain as a basis for filing a U.S. trademark application under Section 44(e) and obtained a U.S. registration two and one-half years ago although he has not yet used his mark in the United States. What risk does Carlos run in not using his mark?
2. Danielle, a French citizen, filed an application for SALON DANI for make-up in France one year ago and in Portugal four months ago. Danielle would like to file an application for the mark in the United

States. May Danielle claim priority under the Paris Convention and obtain the benefit of the earlier filing date? Discuss.

3. Tony owns a CTM registration for OCCASIONS but has only used the mark in Belgium. May Tony's mark be cancelled for nonuse in the countries in which the mark has not been used? Discuss.
4. Identify the chief advantage in filing an international application under the Madrid Protocol for protection for in Europe for the mark PRESIDENTIAL as opposed to filing a CTM application for the mark.
5. PIZZA ROMA was registered for restaurant services in various countries under the Madrid Protocol based on a registration secured in Italy three years ago for the mark. Unfortunately, the registration in Italy has just been cancelled due to confusing similarity with another Italian mark. What effect does this cancellation have on the Madrid Protocol international registrations? Would your answer change if the Italian registration were secured 10 years ago?

USING INTERNET RESOURCES

1. Access the searchable database for CTM applications. Locate the mark registered in 2010 for "Ralph Lauren Tartan Collection."
 - a. Who is the owner of the registration?
 - b. In which class was the mark registered?
2. Use the International Application Simulator for Madrid Protocol applications at WIPO's website. Identify yourself as being from the United States and do a simulation for a trademark with a logo in three classes to be registered in China, the EU, and Cyprus. What filing fee would you pay to register this mark?
3. Use WIPO's ROMARIN searchable database and use the "Simple Search" feature.
 - a. Locate the registration for NACHO-CHEESE. Who is the holder of the registration? When was the mark registered? Did the applicant claim priority under the Paris Convention?
 - b. Locate International Registration No. 1033256. What is the mark? Identify the countries that issued total provisional refusals of protection. Can you determine why countries refused protection? What word was the applicant required to disclaim?
4. Access the TMEP and review the information about the Madrid Protocol. What two types of fees are required when one files an international application originating from the United States?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.

PART THREE



THE LAW OF COPYRIGHTS

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CHAPTER 9

Foundations of Copyright Law



CHAPTER OVERVIEW

Copyright is a form of protection arising from the Patent and Copyright Clause of the U.S. Constitution. Copyright protects the works of authors and artists to ensure their products are not unlawfully reproduced, distributed, performed, or displayed, acts that would deprive them of revenue and discourage further creative work. As new technologies have developed, copyright law has evolved to keep pace, thereby affording protection to works not originally contemplated by the framers of the Constitution, such as computer programs and websites.

The present act governing copyrights in the United States is the Copyright Act of 1976, which provides protection upon creation of a work in a fixed form rather than requiring publication of a work as a prerequisite to protection as did the previous Copyright Act of 1909. Rights arise automatically upon creation of a work, and no publication or registration with the Copyright Office is required to secure copyright, although there are several advantages to registration.

INTRODUCTION

Just as medieval merchants in guilds in England used trademarks on their wares to indicate the source of those products, mercantile interests in England prompted the first insistence upon protection for publication of books. When the invention of the printing press in about 1440 resulted in the ability to produce books by machine rather than by hand, bookbinders and printers demanded protection from copying of books. Authors also began to demand protection from unauthorized copying and demanded to share in the financial rewards the publishers were winning. Finally, in 1710, Parliament enacted the first copyright statute, the Statute of Anne, which limited the formerly perpetual rights publishers enjoyed to a period of 14 years. Under the statute, damages for infringement were set at one penny for every sheet found in the infringer's custody, one-half to go to the author and one-half to go to the Crown. Authors were thus granted the right to control copying of their books. This grant of rights was called a *copyright*.

Just as trademark law protects the investment by merchants in the marks under which their goods are sold, copyright law protects the creators of books, music, and art by providing them with the exclusive right to reproduce their works and derive income from them. Protecting these rights fosters creative effort—there would be little to be gained from investing and pouring effort into composing a song or writing a novel if others could reproduce the song or book at will without compensating its creator.

Not only is copyright at the center of the creative soul of artists, but it has a significant financial impact in the United States as well. According to the International Intellectual Property Alliance, approximately 11 percent of the gross domestic product in the United States derives from copyright industries, including software, films, music, and television shows. Additionally, copyright piracy costs U.S.

businesses an estimated \$25 billion each year in lost revenues.

Copyright law in the United States stems from the Patent and Copyright Clause of the Constitution, which provides that Congress shall have the power “to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive rights to their respective writings and discoveries.” U.S. Const. art. I, § 8. Under this clause, Congress has the power to enact legislation to provide copyright protection for authors for limited periods. Over time, the wording in the clause has been liberally interpreted to incorporate new technologies and protect new forms of expression such as films and video games as varieties of “writings.”

Congress enacted the first copyright act in 1790, and the first federal copyright registration was issued that same year to author John Barry for *The Philadelphia Spelling Book*. Since 1790, the act has been subject to major revision on four occasions: in 1831, 1870, 1909, and 1976. The 1790 act provided copyright protection to maps, charts, and books, and set damages for infringement of published works in the sum of 50 cents for every sheet found in the infringer's possession, one-half of the damages to go to the copyright owner and one-half to the federal government. Subsequent revisions to the 1790 act reflect a gradual expansion of the categories of works or “writings” that are entitled to protection. Thus, musical compositions, dramatic compositions, photographs, paintings, and sculptures were eventually included within the definition of copyrightable material. The present act provides protection to nearly anything that can be expressed in tangible form, including sound recordings, videotape, and computer software.

Copyright rights are governed exclusively by federal law. Pursuant to 17 U.S.C. § 301, the federal government has preempted all rights relating to copyright. Thus, the individual states cannot grant copyright, and there is no such thing as a state copyright

registration. The federal government regulates copyright in two ways: by providing a method of registration of copyright and by allowing access to the federal courts for copyright infringement claims. All cases alleging copyright infringement must be brought in federal court. On the other hand, for example, an allegation that a contract by which one party licensed a copyright to another was procured by fraud would be a matter of standard contractual interpretation and would be governed by state law because copyright issues themselves would not be involved in such a case.

Copyright law strives to balance two competing interests: the interests of authors in protecting their works from unauthorized copying and the interest of the public in having the greatest possible access to works of authorship. U.S. copyright law is intended to stimulate the creation of new works of art, literature, music, sculpture, and other tangible forms of expression.

COMMON LAW RIGHTS AND RIGHTS UNDER THE 1976 COPYRIGHT ACT

Until January 1, 1978 (the effective date of the 1976 Copyright Act), the United States had a dual system of copyright protection in that a distinction

was drawn between unpublished works and those that were published. Until 1978, authors had a perpetual common law right to their unpublished works. Thus, the author of an unpublished manuscript could exclude others from copying the material forever. Once the work was published with a proper copyright notice, however, the common law perpetual copyright was extinguished and protection was afforded by virtue of the 1909 act, which then provided a period of protection up to 56 years. **Publication** is the distribution of copies or phonorecords of a work to the public for sale or other transfer of ownership, by rental, lease, or lending.

Because this dual nature of copyright protection was complex, and the point at which works became published often led to controversy, the 1976 act eliminated the distinction between unpublished and published works and provides simply that a work is protected from its **creation**, that is, as soon as it is created or fixed in some tangible form. Thus, even an unpublished manuscript is governed by the 1976 act inasmuch as it is created when the author sets the words down onto paper or types them into a computer.

Just as trademark rights arise from use and not from registration with the USPTO, copyright rights



LEADING BY EXAMPLE

Although it is tempting to think that no one is hurt if you download a song, movie, or a software program from the Internet, remember that such acts are, in fact, acts of theft, just as reaching into someone's pocket and taking his or her money would be. Creators of songs and software programs have invested significant effort and time in creating their works and thus deserve to be compensated for their efforts. Resist the temptation of thinking, "Everyone is doing it." As a valued member of the legal profession, lead by example. Educate others, and explain to them why such downloading is illegal.

arise from the creation of a work in fixed form and not from publication or registration or other action in the United States. No permission or application with the U.S. Copyright Office is required to secure copyright protection; however, just as securing a trademark registration from the USPTO provides certain advantages to trademark owners, securing a copyright registration from the Copyright Office provides certain advantages to authors of works, including the following:

- Registration establishes a public record of the copyright claim.
- Before an infringement suit may be filed in court, registration is necessary for works of U.S. origin.
- If made before or within five years of publication, registration will establish *prima facie* evidence in court of the validity of the copyright and of the facts stated in the certificate.
- If registration is made within three months after publication of the work or prior to an infringement of the work, statutory damages and attorneys' fees will be available to the copyright owner in court actions.
- Registration allows the owner of the copyright to record the registration with the U. S. Customs and Border Protection for protection against the importation of infringing copies.

The copyright registration process is far simpler than either the trademark or patent registration process. The application fee is only \$35 (for an online application), and the process takes about three months for applications that are filed electronically and about 11 months for applications that are filed on paper.

Copyright protection generally lasts until 70 years from the death of the author. The 1976 Copyright Act is found at 17 U.S.C. §§ 101–1101. (See Appendix E.)

The 1976 Copyright Act has been amended several times. In 1980, specific protection was afforded to computer programs as works entitled to

copyright protection. In 1989, the United States joined the Berne Union, an organization now comprising more than 160 nations, by entering into an international treaty called the Berne Convention for the Protection of Literary and Artistic Works. Just as the Paris Convention requires member nations to treat citizens of member nations as they do their own citizens with regard to trademarks, the Berne Convention requires member nations to treat citizens of member nations as they do their own citizens with regard to copyrights. To satisfy our obligations under the Berne treaty, Congress once again amended the 1976 Copyright Act by eliminating any requirement for a copyright notice (©) to be used with a work (although use of the notice is recommended) and by requiring copyright applicants to submit two copies of a published work in which copyright is claimed when they apply for copyright registration. In 1990, the Copyright Act was again amended to bring U.S. copyright law more into conformity with that of other Berne Union members, particularly with respect to rights of attribution and integrity for certain works of visual arts (see Chapter 11).

The most recent significant amendment to the 1976 Copyright Act was enacted in late 1998, pursuant to the Sonny Bono Copyright Term Extension Act, when Congress extended the duration of copyright to 70 years from an author's death rather than 50 years from death as was previously the case.

Another significant 1998 amendment to copyright law is the Digital Millennium Copyright Act, which updates copyright law for the digital age by including provisions forbidding individuals from circumventing copyright protection systems and limiting the liability of Internet service providers (such as AOL) for copyright infringement. A number of experts believe that the Digital Millennium Copyright Act of 1998 is the most comprehensive updating of copyright law in a generation. The Act is discussed in detail in Chapters 15 and 16. References in this text to the Copyright Act are references to the 1976 act (with its later amendments).

THE U.S. COPYRIGHT OFFICE

The U.S. Copyright Office is a division of the Library of Congress and is located in Washington, DC. Its address and telephone number are as follows: Register of Copyrights, Copyright Office, Library of Congress, 101 Independence Avenue SE, Washington, DC 20559-6000 (202/707-3000 or toll-free at 877/476-0778). Its chief officer is the Register of Copyrights, and its powers and procedures are established in the 1976 Copyright Act. The primary function of the Copyright Office is to issue copyright registrations and serve as a depository for materials in which copyright is claimed. The Copyright Office is not permitted to give legal advice and will not offer guidance on matters such as disputes over the ownership of a copyright, suits against possible infringers, or other matters related to copyrights. It does, however, provide, free of charge, a variety of information, publications, circulars (information packets), and forms related to copyright. Among the more useful publications and materials (all of which are available for free viewing and downloading at the Copyright Office's website at <http://www.copyright.gov>) are the following:

- Forms for copyright registration
- Circular 1, "Copyright Basics"
- Circular 2, "Publications on Copyright"
- Circular 3, "Copyright Notice"
- Circular 4, "Copyright Office Fees"

- Circular 15a, "Duration of Copyright"
- Circular 38a, "International Copyright Relations of the United States"
- Circular 61, "Copyright Registration for Computer Programs"

Alternatively, you may call the Copyright Office's Forms and Publications Hotline at (202) 707-9100 (24 hours a day). Orders are recorded automatically, and materials will be mailed to you as quickly as possible, usually within two weeks.

Frequently requested Copyright Office circulars and fact sheets, announcements, application forms, and the most recent proposed and final regulations are also available for free through the Copyright Office's website. This website gives you access to information created by the Copyright Office and links to a wide variety of other copyright resources.

Finally, the Copyright Office provides a free electronic newsletter, "NewsNet," that issues periodic e-mail messages on copyright issues. These messages alert subscribers to hearings, deadlines for comments related to copyright rules and regulations, new and proposed rules and regulations, and other copyright-related matters. To subscribe, access <http://www.copyright.gov> and then select "News" and follow the instructions.

The Copyright Office has implemented **eCO**, its electronic system to allow filing of copyright applications for registration online.

TRIVIA

- According to the Institute for Policy Innovation, piracy of U.S.-produced copyrighted products cost U.S. industries more than \$25 billion in lost revenue in 2005.
- The Business Software Alliance has reported that in 2009, of more than 100 countries, the United States had the lowest rate of software piracy (20 percent). Georgia had the highest rate (95 percent).
- It has been estimated that more than 50 percent of college students download music illegally.
- The total number of copyrights registered in the United States, through 2009, was nearly 34 million.

TRIVIA

CHAPTER SUMMARY

In the United States, copyright law arises under the Patent and Copyright Clause of the Constitution. The U.S. copyright laws have been amended several times, and the current governing statute is the Copyright Act of 1976. Copyright ensures that an author or creator of a work will derive benefits from his or her creation and will be protected from unauthorized use or copying of a work. Under the Copyright Act of 1909, a work had to be published to be protected under the act. The 1976 act eliminated the requirement of publication and provides that copyright is secured automatically when the work is created in a fixed medium. No publication or registration is necessary to secure copyright protection, although there are certain advantages to registration of a copyright with the U.S. Copyright Office.

CASE ILLUSTRATION

PURPOSE OF COPYRIGHT LAW

- Case:** *Sony Corporation of America v. Universal City Studios*, 464 U.S. 417 (1984).
- Facts:** The owners of copyrighted television shows brought a copyright infringement action against the makers of home videotape recorders, alleging contributory copyright infringement because the equipment was used to record television shows for later home viewing.
- Holding:** There was no copyright infringement. The allegedly infringing equipment has substantial noninfringing purposes, and “time shifting” of television shows for later viewing is permissible fair use. The clause in the Constitution on copyright is a means by which an important public interest is achieved: It is intended to motivate the creative activity of authors and inventors by providing them a special reward in order to induce the release to the public of the products of their creative genius after the limited period of exclusive protection has expired.

CASE STUDY AND ACTIVITIES

- Case Study:** Holiday has developed an ad campaign that uses a song called “Holiday: The Fun One.” Holiday also has a written script for a commercial that has been distributed to numerous other individuals but that has no copyright notice and that has never been registered with the Copyright Office. Holiday believes that the script has been infringed by its competitor.
- Activities:** Which of the foregoing items is protectable by copyright? What might be the repercussions to Holiday of not having registered its script with the Copyright Office?

ROLE OF PARALEGAL

At this stage of copyright protection and prosecution, IP paralegals will typically be engaged in general legal research relating to copyrightability of clients' works. Additionally, paralegals should contact the Copyright Office and begin creating form files for forms and publications related to copyrights. For example, paralegals may print and download useful Copyright Office circulars and fact sheets, such as those relating to fees. The files should be maintained in a central location, and indexes to the forms and publications should be circulated to all other IP professionals. Finally, paralegals should routinely monitor the Copyright Office website to keep informed of new developments in copyright law, check fee schedules, and determine whether the Copyright Office has implemented new procedures.

INTERNET RESOURCES

Federal laws relating to copyright:	http://www.law.cornell.edu http://www.fastcase.com http://www.copyright.gov/title17/circ92.pdf
Copyright Office:	http://www.copyright.gov
General information:	http://topics.law.cornell.edu/wex/copyright (site of Cornell University Law School) http://www.megalaw.com http://www.csusa.org (site of Copyright Society of the United States, a nonprofit corporation organized in 1953 to foster interest in and study of copyright law)
National Jukebox:	http://www.loc.gov/ (The Library of Congress offers thousands of historical sound recordings from its vast collection, including comedic skits, speeches, ragtime, blues, and other genres.)

DISCUSSION QUESTIONS

1. Why is copyright protection restricted to a limited period of time?
2. Elizabeth Taylor died in 2011. She was the author of a book entitled *My Love Affair with Jewelry*, written in 2002. When will the copyright to the book expire?
3. Most presidents maintain a personal diary upon which they later base their memoirs. Are the diaries themselves protected by copyright even though they are not published? Discuss.
4. Phil, the creator of a well-known computer program, is concerned about piracy of his work. He is particularly concerned that counterfeit versions of the computer program will be imported into the United States from foreign countries. What benefit will copyright registration afford Phil in this regard?

USING INTERNET RESOURCES

Access the website of the U.S. Copyright Office to answer the following questions.

1. Review Circular 1a. What notable event occurred in 1787?
2. Review Circular 4. How much money will you save if you file a copyright application electronically using eCO rather than filing it in paper form?
3. Review “FAQs.” May the following be protected by copyright?
 - a. A campaign slogan
 - b. Architectural works
 - c. The name of the book *The Help*
 - d. An idea for a new television show
4. Review Factsheet 103 relating to Useful Articles. Can a pen be copyrighted?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 10

The Subject Matter of Copyright

CHAPTER OVERVIEW

To be eligible for copyright protection, matter must be original, it must be fixed in some tangible form, and it must qualify as a “work of authorship.” The requirement of originality does not mean the work must be new or novel; it must merely be created independently by its author. The most common subjects of copyright protection are literary works; musical works; dramatic works; choreographic works; pictorial, graphic, and sculptural works; motion pictures and other audiovisual works; sound recordings; and architectural works. Not all printed or communicable matter can be the subject of copyright protection. For example, useful articles, facts, ideas, titles, and works of the U.S. government cannot be copyrighted. In some instances, however, material that itself is not copyrightable (such as facts) may be subject to protection if it is arranged or compiled in such a way that shows creativity, for example, an arrangement of facts into a book of lists.

INTRODUCTION

The limits of copyrightability are dictated by federal statute. According to 17 U.S.C. § 102, copyright protection exists in original works of authorship fixed in any tangible medium of expression, now known or later developed. Thus, there are three basic requirements for copyrightability:

1. A work must be original.
2. A work must be fixed in a tangible form of expression.
3. A work must be a work of authorship.

Each of these requirements will be discussed in this chapter.

ORIGINALITY OF MATERIAL

To be eligible for copyright protection, material must be original, meaning that it must have been independently created and must possess a modicum of creativity. The requirement of **originality** should not be confused with novelty, worthiness, or aesthetic appeal. The requirement is rather that the material must be an independent product of the author and not merely some copy or minimal variation of an existing work.

A work can be original even if it is strikingly similar or identical to that of another. The Copyright Act only requires originality, meaning independent creation by the author. Thus, if two photographers each take photographs of the Washington Memorial, each will have copyright protection for the work (as long as one did not copy another). Similarly, if two authors independently write novels that are strikingly similar, each will have copyright protection (again, assuming there was no copying). In a famous copyright case, *Feist Publ'n's, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345–46 (1991), the Supreme Court held:

Originality does not signify novelty; a work may be original even though it closely

resembles other works so long as the similarity is fortuitous, not the result of copying. To illustrate, assume that two poets, each ignorant of the other, compose identical poems. Neither work is novel, yet both are original, and, hence, copyrightable.

“Originality” thus does not mean “first”; it merely means “independently created” rather than copied from other works.

In regard to the level of creativity required for copyright protection, the threshold is quite low. Even a slight amount of “creative spark” will suffice. In order to be protected by copyright, however, a work must contain at least a certain minimum amount of original expression. Thus, copyright does not extend to blank forms, column headings, names, titles, or lists of ingredients. In *Feist*, the Supreme Court held that telephone white page listings did not satisfy the originality requirement inasmuch as they lacked minimal creativity. The Court held that the names, towns, and telephone numbers were all merely facts arranged in alphabetical order, an age-old practice, and thus were uncopyrightable. Although facts are not copyrightable, an author’s original selection and arrangement of those facts may be copyrightable as a compilation. (See the section in this chapter entitled “Compilations, Collections, and Derivative Works.”)

FIXATION OF MATERIAL

The Copyright Act protects works of authorship that are “fixed in any tangible medium of expression.” A work is “fixed” when it is embodied in a copy or phonorecord and is sufficiently permanent or stable to permit it to be perceived, reproduced, or communicated for a period of more than transitory duration. 17 U.S.C. § 101.

There are thus two categories of tangible expression in which works can be fixed: “copies” and “phonorecords.” A **copy** is a material object

(other than a phonorecord) from which a work can be perceived, reproduced, or communicated, either directly by human perception or with the help of a machine. Thus, according to the Copyright Act, a famous photograph by Ansel Adams that appears on a book cover, a calendar, a T-shirt, a tie, or a coffee mug is a “copy” in each case. The photograph, calendar, and so forth are copies because they are material objects from which an image can be perceived. The scope of “material object” is broad enough to encompass writings on paper, images on marble, and even designs on fabric.

A **phonorecord** is a material object in which sounds (other than those accompanying a motion picture or other audiovisual work) are fixed and from which the sounds can be perceived, reproduced, or communicated either directly by human perception or with the help of a machine. For example, a record, a cassette tape, and a CD recording of a song by the Rolling Stones are all considered to be “phonorecords.” Thus, for example, a song (the “work”) can be fixed in sheet music (“copies”) or in a CD (a “phonorecord”), or both.

Because the definition of **fixation** requires that a work be embodied in some sufficiently stable or permanent form to be perceived, an oral presentation, lecture, or live performance is not fixed (unless it is reduced to writing or placed on film or tape). However, by virtue of 17 U.S.C. § 101, which defines the word *fixed*, a live broadcast of a television or radio show is viewed as fixed *if* it is recorded or videotaped simultaneously with its live broadcast transmission. Thus, an impromptu stand-up comedy routine by Jerry Seinfeld is not fixed; however, a recording and transmission of the same routine is fixed. Fixation occurs when a work is reduced to words, numbers, sounds, or shapes and placed on some permanent or stable medium. Thus, literary works are fixed when they are typed or processed into a computer or put onto a disk; sound recordings are fixed when they are recorded and placed on tape; and photographs

are fixed when they are captured on film or digital devices. Although live performances are thus not protected because they are not “fixed,” statutes (17 U.S.C. § 1101 and 18 U.S.C. § 2319A) provide civil and criminal remedies for “bootlegging” sound recordings of live musical performance and music videos to ensure that concertgoers do not surreptitiously record live concerts.

Prior to the 1976 act, works were protected only if they were fixed in a form that was perceptible to the human eye (although special rules existed for sound recordings, protecting records). One famous case held that the rolls of music for a player piano were not subject to copyright protection because they could not be read by humans as sheet music could. *White-Smith Music Publ'g Co. v. Apollo Co.*, 209 U.S. 1 (1908). The 1976 act (17 U.S.C. § 102), however, provides that copyright protection subsists in original works of authorship fixed in *any* tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device, thus allowing protection for works that are perceived by machines as well as humans, such as CDs, video games, and videotapes. Works reproduced on hard drives or magnetic tapes also meet the act’s “fixation” requirement.

WORKS OF AUTHORSHIP

The Copyright Act provides that copyright protection subsists in original works of authorship fixed in any tangible medium of expression, *now known or hereafter developed*, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine. 17 U.S.C. § 102. Section 102 then lists eight categories of protectable works. The list is preceded by the phrase that works of authorship “include” those categories, demonstrating that the listed categories are not the only types of works that can

be protected, but are illustrative only. Thus, it has been held that fabric designs and toys are copyrightable even though they are not specifically listed in Section 102. Moreover, the provision that copyright protection exists in works “now known or hereafter developed” indicates congressional intent to protect new forms of expression that are not yet existent. The eight enumerated categories are as follows:

1. Literary works
2. Musical works (including accompanying words)
3. Dramatic works (including accompanying music)
4. Pantomimes and choreographic works
5. Pictorial, graphic, and sculptural works
6. Motion pictures and other audiovisual works
7. Sound recordings
8. Architectural works

Literary Works

A **literary work** is one expressed in words, numbers, or other verbal or numerical symbols, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, discs, or cards, in which they are embodied. This broad category includes works of fiction and non-fiction, poetry, catalogs, reports, written speeches, pamphlets, and manuscripts. Works such as computer programs, databases, and websites (if text predominates) are also treated as literary works because they are expressed in letters and numbers. Literary works can include directories, an employee handbook, an instruction manual, or an advertisement. The fact that many people would not regard an advertisement or an instruction manual to be *literary* in the sense the word is usually used is of no significance. If the material is original, in fixed form, and can be expressed in letters or numbers, it is “literary” even though it may be entirely lacking in artistic merit to most people.

Musical Works (Including Accompanying Words)

A **musical work**, together with its accompanying words, is copyrightable. A musical work or composition may be in the form of a notated copy (such as sheet music) or in the form of a phonorecord (such as a record, a cassette tape, or a CD). The author of a musical work is usually the composer, and the lyricist, if any.

The lyrics or words to a musical composition are not protected as a literary work, but rather as a musical work. Both elements of a composition are separately protected. Thus, if someone writes the lyrics to “Yesterday” in a novel, without permission, it is a violation of the author’s copyright. Similarly, an unauthorized performance of the musical arrangement for “Yesterday” on stage, even without singing of lyrics, is also a copyright violation.

Dramatic Works (Including Accompanying Music)

A **dramatic work** is usually a theatrical performance or play performed for stage, movie, television, or radio. Dramatic works usually include spoken text, plot, and directions for action, such as screenplays or scripts. The music accompanying a dramatic work is protected as a dramatic work rather than as an independent musical work. Examples of dramatic works include the well-known plays *Phantom of the Opera*, *Cats*, and *Death of a Salesman*.

Pantomimes and Choreographic Works

Pantomime or *mime* is a performance using gestures and expression to communicate with no accompanying sound. An impromptu street performance of mime would not be protected (because it is not fixed in some stable or permanent medium of expression), but a filmed performance of the famous

mime Marcel Marceau or a precise description of the pantomime in text would be protected.

The 1976 act was the first statute to include choreography as a copyrightable work. Choreography is the composition and arrangement of dance movements and patterns. Simple dance routines and social dance steps such as the waltz, the fox trot, and the second position of classical ballet are not copyrightable in and of themselves; however, once these steps are incorporated into an otherwise choreographic work, they are protected, much like words are protected once they are incorporated into a work of fiction or nonfiction. A **choreographic work** does not need to tell a story in order to be protected by copyright; however, the work must be fixed in a tangible medium of expression from which the work can be performed, such as a recorded or notated choreographic work or a precise description of the choreographed work in text or in a dance notation system. In one case, a court held that a book consisting of still photographs of a George Balanchine ballet performance could infringe his copyrighted choreographic work *The Nutcracker*. *Horgan v. MacMillan, Inc.*, 789 F.2d 157 (2d Cir. 1986).

Pictorial, Graphic, and Sculptural Works

Pictorial, graphic, and sculptural works include two-dimensional and three-dimensional works of fine, graphic, and applied art. This category of copyrighted works is extremely broad and includes the following: photographs; prints, posters, and art reproductions; maps; globes; charts; diagrams; artwork applied to clothing; bumper stickers; cartoons and comic strips; dolls; toys; jewelry designs; mosaics; patterns for sewing; record jacket artwork; tapestries; quilts; fabric, floor, and wall-covering designs; games; puzzles; greeting cards, postcards, and stationery; stencils; sculptures (including carvings, figurines, and molds); models; and technical

drawings, including architectural plans and blueprints. A minimal threshold of creativity is required. Commercial labels and packages are also copyrightable if the material includes an appreciable amount of original text or pictorial matter. Thus, a simple shape such as a drawing of a circle or square may not be protected; however, even a picture of a bowl of chili on the label of a can is copyrightable as a pictorial work.

Copyright law does not protect useful articles. A **useful article** is one having an intrinsic utilitarian function. Examples of useful articles are clothing (including costumes), vehicular bodies, furniture, machinery, appliances, dinnerware, and lighting fixtures. Toys, dolls, and stuffed animals are not useful articles and can be copyrighted, even if they portray a utilitarian product. Thus, a toy airplane was held not to be a useful article in *Gay Toys, Inc. v. Buddy L. Corp.*, 703 F.2d 970 (6th Cir. 1983). The intent of Congress was to exclude from copyright protection industrial products such as cars, appliances, and electronic products. Many of these useful objects are protected under patent law. In one case, the court of appeals affirmed that automobile wire-spoke wheel covers were useful and were not subject to copyright protection. The creator argued that the wheel covers were ornamental and were intended to beautify and embellish the wheels, but the court held that the wheel covers were mere utilitarian articles serving to protect lug nuts, wheels, and axles from damage. *Norris Indus. v. Int'l Tel. & Tel. Corp.*, 696 F.2d 918 (11th Cir. 1983).

The Copyright Act provides, however, that the design of a useful article shall be considered a copyrightable pictorial, graphic, or sculptural work if such design incorporates pictorial, graphic, or sculptural features that can be identified separately from and are capable of existing independently of the utilitarian aspects of the article. Thus, the famous statuette that adorns the hood of a Rolls Royce can be protected by copyright inasmuch as it can exist

as a sculpture independently from the hood and the car. Similarly, a carving on the back of a chair, animal foot slippers, or a floral relief design on silver flatware is protectable by copyright, but the design of the chair, slipper, or flatware itself is not because these are useful articles. In sum, useful articles are entitled to copyright protection only to the extent that their artwork or creative design is separable from the utilitarian aspects of the work.

Motion Pictures and Other Audiovisual Works

A **motion picture** is an audiovisual work consisting of a series of related images that, when shown in succession, impart an impression of motion, together with accompanying sounds. These works are typically embodied in film, videotape, or videodisc. Music accompanying a movie (the motion picture soundtrack) is protected as part of the motion picture.

An **audiovisual work** is a work that consists of a series of related images that are intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds. Thus, a photograph of a mountain is protected as a pictorial work. If the photograph is made into a slide, it remains a pictorial work; however, when the photograph is made into a slide that becomes part of a presentation about mountains of the world, the resulting slide show is an audiovisual work. Music videos are considered audiovisual works rather than sound recordings.

Sound Recordings

A **sound recording** is a work that results from the fixation of a series of musical, spoken, or other sounds, regardless of the nature of the material objects, such as discs, tapes, or other phonorecords in which they are embodied. Thus, a sound recording could be a narration by Meryl Streep of a book

played on a CD or cassette tape, a CD by Fergie, or an album by Kanye West. Sound recordings, however, do not include the sounds accompanying a motion picture or other audiovisual work. A *song* is the notes and words; a *sound recording* is what you hear when you play the radio or a CD.

There is a distinction between a “musical work” and a “sound recording.” A musical work consists of music, including any accompanying words. The author of a musical work or composition is generally the composer, and the lyricist, if any. A musical composition may be in the form of sheet music or a cassette tape, album, or CD. A sound recording results from the fixation of a series of musical, spoken, or other sounds. The author of a sound recording is the performer whose performance is fixed, or the record producer who processes the sounds and fixes them in the final recording, or both.

For example, the song “You Are the Sunshine of My Life” by Stevie Wonder is frequently recorded by other artists. The original music and lyrics are copyrighted by Stevie Wonder as a musical work. If Celine Dion performs the song “You Are the Sunshine of My Life,” she cannot claim copyright in the lyrics and music because she did not create them. However, her particular and unique arrangement of the lyrics and song is copyrightable as a sound recording by her and her record producer. If a later artist wishes to perform “You Are the Sunshine of My Life,” permission must be sought from Stevie Wonder (or the present copyright owner) or a compulsory license fee must be paid to the copyright owner. Permission need not be sought from Celine Dion or her record company because the new artist will not be copying Celine Dion’s particular arrangement (unless the new artist wishes to extract or “sample” some of the Celine Dion arrangement into the new version, in which case permission must be sought from Celine Dion and/or the record company for the part sampled).

As discussed earlier, sound recordings are embodied in phonorecords (meaning physical objects

in which sounds are fixed, such as cassette tapes, CDs, LPs, and so forth), not copies.

Architectural Works

An **architectural work** is the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form and arrangement and composition of spaces, but not individual standard features such as windows, doors, and other standard components of buildings, which cannot be registered. The term *building* includes not only permanent and stationary structures for human occupancy (such as houses and office buildings) but also gazebos, churches, and garden pavilions. Structures other than buildings (such as bridges, tents, and mobile homes) are not eligible for protection.

Before 1990 and the United States's adherence to the Berne Convention, architectural plans and models were protected only as graphic and sculptural works. Because buildings were useful articles, they could not be protected. Protection was allowed only for nonuseful portions, such as decorative moldings, murals, friezes, and so forth.

In 1990, however, Congress passed the Architectural Works Copyright Protection Act and expressly amended the 1976 Copyright Act to provide copyright protection to "architectural works." A claim to copyright in an architectural work is distinct from a claim in technical drawings of the work. If registration is sought for both an architectural work (such as a building) and technical drawings of the work, separate applications must be submitted to the Copyright Office.

If the building is ordinarily visible to the public, anyone can take pictures of it or display it in a painting or photograph. 17 U.S.C. § 120(a). One recent case demonstrates the difficulties inherent in protecting architectural works. The 1997 movie *The Devil's Advocate* with Al Pacino and Keanu Reeves

displayed a frieze placed over the doorway of the National Cathedral in Washington, DC. A noted sculptor claimed this was an infringement of his work. The sculptor sued, alleging copyright infringement. The producers of the movie claimed the frieze was independently created and was merely part of a building ordinarily visible to the public. The case settled out of court, and thus there was no determination of the rights of the parties.

Destruction and alteration of works of fine arts are discussed further in Chapter 11. Under 17 U.S.C. § 120(b), the owner of a building may alter or destroy it without the consent of the author or copyright owner of the architectural work.

EXCLUSIONS FROM COPYRIGHT PROTECTION

Not all works are protected by copyright. In addition to articles that are purely useful and that cannot be copyrighted, a number of other works are not protected under copyright law, including ideas, blank forms, short phrases, slogans, titles, works in the public domain, facts, and computing devices.

Ideas, Methods, or Systems

Section 102 of the Copyright Act not only lists eight categories of works that are protected by copyright, but also states that the following are specifically excluded from copyright protection: ideas, procedures, processes, systems, methods of operation, concepts, principles, and discoveries, regardless of the form in which they are described, explained, or illustrated. This statutory prohibition sets out in long form a well-established copyright principle: Copyright protects tangible expression, not ideas.

The rule that copyright protection extends only to the expression of ideas, and not to ideas themselves, derives from a famous Supreme Court case, *Baker v. Selden*, 101 U.S. 99 (1879). In that

case, Selden published a book explaining a bookkeeping system that included blank forms with ruled lines and columns for using the new system. Baker later published a book with additional forms for using Selden's system. Selden sued for copyright infringement. The Court denied relief, holding that a copyright on a book explaining a system does not prevent another party from explaining the same system; otherwise, the bookkeeping system or method itself would be monopolized by the first to explain it. The Court held that Baker had copied only Selden's unprotectable idea and not any protectable expression of the idea. The discussion by the Court is often referred to as the **idea-expression dichotomy** and results in a well-known copyright principle: Ideas are not protectable, although the expression of those ideas is subject to copyright protection. The Court also held that the forms were not writings and were thus unprotectable, thereby giving rise to the rule that mere blank forms are not copyrightable.

The Copyright Office itself states that copyright protection is not available for the following: ideas or procedures for doing, making, or building things; scientific or technical methods or discoveries; business operations or procedures; mathematical principles; formulas or algorithms; business operations or procedures; or any other concept, process, or method of operation.

Generally, if there are a number of ways of explaining a topic or subject, the original expression will be protected against copying; however, if there are no or few alternative ways of expressing something, only literal copying (rather than mere paraphrasing) will likely result in infringement. In such cases, it is said that the expression merges with the idea, and copyright protection is denied to the merged expression because ideas are not copyrightable. This principle is known as the **merger doctrine**. Thus, in a case involving alleged infringement of contest rules, the court held that because

there were a limited number of ways of expressing the rules, given their straightforward nature, only exact copying was prohibited. Otherwise, the first to express the idea in writing would be able to prohibit all later users. *Morrissey v. Procter & Gamble Co.*, 379 F.2d 675 (1st Cir. 1967).

Blank Forms, Titles, Short Phrases, and Common Property

In order to be protected by copyright, a work must contain at least a certain minimum amount of original literary, pictorial, or musical expression. Copyright does not extend to names, titles, short phrases, slogans, clauses such as column headings, or simple checklists. Thus, many books and even movies may share the same title. For example, there are numerous textbooks that share the title *Introduction to Mathematics*. If one person could appropriate a title to the exclusion of others, creativity would be hindered rather than encouraged. Similarly, neither a title nor a slogan such as "You deserve a break today" may be copyrighted (although they may qualify for protection as a trademark or under the law of unfair competition).

Mere variations in typeface, familiar symbols or designs, lettering or coloring, and mere lists of ingredients or contents are not protected by copyright. Similarly, blank forms (such as forms for bank checks, time cards, account books, diaries, scorecards, report forms, address books, and order forms) that are used primarily for recording information rather than conveying information lack sufficient creativity to be copyrightable. Although mere listings of ingredients or contents as in recipes, formulas, or prescriptions are not subject to copyright protection, when the recipe or formula is accompanied by substantial literary expression (such as advice on wine pairings or table settings) or when there is a combination of recipes (as in a cookbook), there may be a basis for copyright protection.

Finally, copyright protection does not extend to works consisting entirely of information that is common property containing no original authorship, such as standard calendars, height and weight charts, tape measures and rulers, schedules of sporting events, and lists or tables taken from public documents or other common sources. Thus, a Sierra Club calendar or Far Side calendar would be protected to the extent of the photographs or cartoons accompanying the calendars, but the calendars themselves with their standard and readily ascertainable information are not copyrightable.

Public Domain Works

A variety of works are not subject to appropriation by copyright inasmuch as they are said to be in the **public domain**, meaning they are free for all members of the public to use and exploit. The two primary types of works in the public domain are those that arise from expired copyrights and works of the U.S. government.

Expired and Forfeited Copyrights. Copyrights have always been subject to some period of limited duration. Once a copyright expires, or it is forfeited by its owner, it resides in the public domain and is free for all to use. Under the 1909 act, copyrights were subject to an initial period of protection of 28 years and a period of renewal for 28 years. Failure to renew the copyright at the appropriate time resulted in a forfeiture of the copyright with the work being placed in the public domain. For works created on or after January 1, 1978, the copyright duration is the life of the author and an additional 70 years. If the work is the product of corporate authorship (a work “made for hire”), copyright protection will last for 95 years from publication, or 120 years from its creation, whichever occurs first. Until October 1998 and the passage of the Sonny Bono Copyright Term Extension Act, each of these periods of duration was 20 years shorter. In addition to expired or forfeited

works being available for all to use, some works are dedicated to public use by their authors. For example, an author could elect not to pursue copyright protection for a work and expressly allow anyone to use it. Some Internet websites expressly indicate that certain material on the site is available for all to freely use.

U.S. Government Works. Pursuant to Section 105 of the Copyright Act, copyright protection is not available for any work of the U.S. government or any of its agencies if that work is prepared by an officer or employee of the U.S. government as part of that person’s official duties. Thus, federal laws and cases may be freely reproduced and distributed, together with federal regulations, and information and forms from agencies such as the Internal Revenue Service, USPTO forms, and forms provided by the Copyright Office. There is one exception to the rule that the works of the federal government are not copyrightable. Under 15 U.S.C. § 290e, the Department of Commerce’s standard reference data (consisting of databases for scientists and engineers for use in technical problem solving, research, and development) are protected by copyright.

If the U.S. government commissions special work by an independent contractor, for example, a sculpture for a national park commissioned by an artist not employed by the federal government, the independent contractor will retain copyright in the work (unless he or she agrees that the government can own the copyright). The U.S. government is not precluded from receiving copyrights transferred to it by a third party. Thus, the artist could assign or transfer the copyright to the government. The government agency involved is free to determine in each case whether to allow an independent contractor to obtain copyright in works prepared with the use of government funds.

Works produced by state governments and local governmental bodies are not covered by the

Copyright Act, although they may be covered under relevant state law. Thus, because the Copyright Act only refers to the federal government, states and municipalities may own copyrights. Nevertheless, certain information such as cases, statutes, regulations, and ordinances are not copyrightable inasmuch as the public needs free access to such information. In a recent case, however, it was held that Suffolk County, New York, held a copyright in tax maps, even though those maps were compiled and maintained at taxpayer expense. *Cnty. of Suffolk v. First Am. Real Estate Solutions*, 261 F.3d 179 (2d Cir. 2001). In sum, each state may determine whether the works of its agencies may be copyrighted (so long as such does not conflict with federal copyright law).

Facts

Facts are not protected by copyright because one who uncovers a fact is not an author or creator. Facts are viewed as “discoveries” and are thus excluded from copyright protection under Section 102 of the Act. Moreover, according to *Feist*, facts are not original to a researcher and are not created by a researcher, even if the researcher is the first to reveal them. For example, statistics relating to population, dates of birth and death, and other ascertainable matters cannot be protected by copyright. Thus, the protection afforded to purely factual works, such as books that merely gather statistics or that provide biographies consisting primarily of factual information, is relatively narrow. Although a newscast content may be protected by copyright, the facts recited by newscasters themselves cannot be appropriated by one party to the exclusion of others.

Computing and Measuring Devices

Devices and similar articles designed for computing and measuring cannot be copyrighted. Examples of such uncopyrightable works are slide rules, wheel dials, and perpetual calendar systems. The printed

material on the device (lines, numbers, symbols, calibrations, and their arrangements) is not capable of copyright protection because the material is dictated either by the underlying idea (which is uncopyrightable) or some standard formula (which is uncopyrightable). Moreover, a computing or measuring device does not contain a minimum amount of creative authorship—it is merely a means for arriving at a result or reading and does not communicate facts or ideas in and of itself.

Other Copyright Issues: Characters, Scenes a Faire, and Immoral Works

A variety of interesting issues have arisen in copyright law regarding the protectability of characters (both graphical and literary), scenes a faire, and immoral works.

Characters and Scenes a Faire. Generally, distinctive graphical characters, such as cartoon figures like Superman, Mickey Mouse, Dick Tracy, Tarzan, and Doonesbury, are protectable separate and apart from the cartoon strips, films, and books in which they appear. Thus, in one case, a party was enjoined from using a “Wonderman” character on the basis that it infringed the copyright in Superman when the only significant difference between the two characters was the color of their uniforms. *Detective Comics Inc. v. Bruns Publ’ns, Inc.*, 111 F.2d 432 (2d Cir. 1940). On the other hand, the concept of a hero who bravely saves people and the planet from destruction and peril is merely an idea that cannot be protected by copyright. Other heroes with similar characteristics would be permissible as long as they did not appropriate the details of Superman’s persona. Cartoon strips, films, and books are also protectable as pictorial works, motion pictures, and literary works, respectively.

In regard to literary characters or characters depicted in a television series or movie, such as

James Bond in the Ian Fleming books and movies, Harry Potter in the *Harry Potter* series, or the Terminator in the *Terminator* movies, if those characters are specifically described and presented, they may be protectable. In 1988, the Ninth Circuit was called upon to determine whether the television series *The A-Team* infringed a screenplay called *Cargo*. Noting that both shared a common approach (adventure actions portraying Vietnam veterans), the court held that this idea alone was unprotectable. There was little similarity in terms of plot, dialogue, or setting. The fact that both involved action-adventure heroes was not sufficient to show infringement. *Olson v. Nat'l Broad. Co.*, 855 F.2d 1446 (9th Cir. 1988). This reasoning is a further illustration of the rule that ideas are not protectable, while the expressions of those ideas are. In sum, basic character types are not copyrightable; characters that are uniquely developed and display some level of novelty, however, such as Rocky Balboa, are copyrightable.

Certain standard or stereotypical characters and incidents, called **scenes a faire** (literally, “scenes which must be done”), are generally excluded from copyright protection. For example, stock characters, standard literary devices, common expressions, and common incidents are viewed as uncopyrightable scenes a faire. For example, in one case involving police fiction, a court held that foot chases, morale problems of police officers, and the “familiar figure of the Irish cop” are common themes in such works and are thus unprotectable scenes a faire. *Walker v. Time Life Films, Inc.*, 784 F.2d 44 (2d Cir. 1986). Similarly, the mazes, scoring table, tunnels, and dots of the “PacMan” computer game have been held to be scenes a faire, protectable only from identical copying.

Immoral Works. Although the Trademark Act forbids registration of immoral, disparaging, or scandalous works, no such prohibition exists in the Copyright Act. Generally, Congress has been

reluctant to place restrictions on the copyrightability of certain matter, believing it would chill First Amendment rights. Thus, even offensive and immoral books, plays, and songs are copyrightable.

COMPILATIONS, COLLECTIONS, AND DERIVATIVE WORKS

Compilations

An author often selects certain items and groups them together in a new presentation. For example, a book may be published that presents lists of Oscar winners or tables of statistics and data that are not themselves copyrightable. Such a work is called a **compilation**. According to Section 101 of the Copyright Act, a compilation is a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. Compilations are protected by copyright if there is original authorship in the selection or arrangement of the material.

Thus, although the material that makes up the compilation is usually not original (and therefore is not copyrightable), the manner of its selection and arrangement results in an original work. For example, a type of day planner that consists of calendars, blank forms for appointments, entries, maps, lists of area codes, and time zones may be copyrightable as a compilation due to its unique arrangement, even though the parts that comprise it (calendars, blank forms, and so forth) are not copyrightable because they lack originality or are standard devices. As another example, a book of lists or an information-based almanac likely consists of mere facts or raw data that are not copyrightable in and of themselves; however, the unique arrangement of those facts into a select and coordinated system is copyrightable. The author has reviewed certain facts, selected the particular facts to include, and then arranged or

presented the facts so that they are interesting or useful to the reader. It is this selection that shows sufficient creativity and originality that copyright protection is provided for that arrangement or selection. The underlying facts themselves, however, remain uncopyrightable.

As seen in *Feist*, in which an alphabetically arranged telephone directory was held not copyrightable, not every selection of facts or compilation will pass muster. As always, a certain level of creativity, namely, “originality,” is required. In *Feist*, the Supreme Court recognized that while the requirement of originality is not stringent, the arrangement of facts cannot be so mechanical and routine as to demonstrate no creativity whatsoever. The Court noted that taking data and listing telephone subscribers alphabetically by surname in a white pages directory resulted in “a garden-variety white pages directory, devoid of even the slightest trace of creativity.” 499 U.S. at 360.

Collections

According to Section 101 of the Copyright Act, the term *compilation* includes collective works. A **collective work** is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole. Thus, a CD containing musical compositions by various artists and called *The Golden Age of Rock* would be a collective work, as would a book of selected short stories dealing with sports, an anthology of poems by twentieth-century American poets, or selected film clips showing the greatest comedy routines of the 1990s. Original authorship is involved in deciding which were the greatest hits, the best stories, and so forth, and in what order to present them. Even when the works assembled into the collection are public domain works (e.g., folk songs or spirituals),

the resulting work qualifies for protection as a collection. In the cases in which works that comprise the collection are copyrighted (e.g., individual poems or songs), permission must be obtained from the individual copyright owners to reproduce their works by assembling them in the new collection. The new authorship in the collection extends to the particular selection and arrangement of the poems and songs but not to the underlying poems or songs themselves. Thus, another person could include the nonprotectable folk song in a different collective work without infringing the collective work.

The difference between a compilation and a collection is that the matter making up the compilation is usually not copyrightable (think lists of facts, such as found in an almanac), while the matter comprising the collective work (think short stories, photos, or poems) is copyrightable.

Derivative Works

A **derivative work** is one that is based on (or derived from) one or more already existing works, such as a translation, dramatization, fictionalization, or any other form in which a work may be recast, transformed, or adapted. Thus, the author of a derivative work transforms or somehow changes a preexisting work (while the author of a compilation or collective work assembles or arranges preexisting materials). The resulting work is copyrightable if it includes original work of authorship and if the original material was not used unlawfully.

Derivative works, also known as *new versions*, include such works as musical arrangements, motion picture versions, abridgments, and condensations. Additionally, any work consisting of editorial revisions, annotations, elaborations, or other modifications that, as a whole, represent an original work, is a derivative work subject to copyright protection.

ETHICS
EDGESEEKING
PERMISSION
TO REPRINT

As noted in the text, collections involve bringing together others' copyrighted works (such as collecting the best short stories of author Alice Munro). Derivative works are those based on other works (such as a movie based on a book). You may not prepare a collective work or derivative work unless you have permission from the copyright holder of the underlying work(s), unless the material is in the public domain. When in doubt, always seek written permission from the copyright owner for any use of his or her material. Some information and sample permission letters may be found at Columbia University's Copyright Advisory Office at <http://copyright.columbia.edu/copyright>. You may also review the Copyright Office's Circular 22, "How to Investigate the Copyright Status of a Work."

The following examples show some of the many different types of derivative works:

- A television drama of *The Glass Menagerie* based on the earlier play by Tennessee Williams
- The motion picture *Water for Elephants* based on the earlier book by Sara Gruen
- A play of *In Cold Blood* based on the work by Truman Capote
- AOL version 10.0 based on earlier versions
- A television dramatization of *The Gambler* based on the song sung by Kenny Rogers
- A novel in English, such as *Doctor Zhivago* (translated from a book originally published in Russian)
- The movie *Chicago* based on the earlier play
- The movie *Rocky II* based on the original *Rocky* movie

To be copyrightable, the derivative work must be different enough from the original to be regarded as a new work or must contain a substantial amount of new material. Making minor changes or additions of little substance to a preexisting work will not qualify the work as a new version for copyright purposes. The new material must be original and copyrightable in itself.

The copyright in a derivative work covers only the additions, changes, or other new material appearing for the first time in the work. It does not extend to any preexisting material and does not imply a copyright in that material. The copyright in the derivative work relates only to the new, independent work and does not affect or extend the nature, scope, or duration of copyright protection for the original work. Thus, if a new preface or foreword is prepared for a new printing of John Grisham's novel *The Firm*, only the new material is independently protected and owned by the new author. John Grisham retains the rights in the original work. One cannot extend the length of protection for a copyrighted work by creating a derivative work. A work that has fallen in the public domain (i.e., one that is no longer protected by copyright) may be used for a derivative work, but the copyright in the derivative work will not restore or revive the copyright of the public domain material; neither will it prevent anyone else from using the same public domain material for another derivative work.

Only the owner of copyright in a work has the right to prepare or to authorize someone else to create a new version of that work. The owner is generally the author or someone who has obtained rights from the author.

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- Visit the National Jukebox at <http://www.loc.gov/jukebox/> to listen to historical sound recordings from the Library of Congress's vast collection. Genres include speeches, comedic skits, blues, ragtime, and others.
- Approximately 4 percent of all employment in the United States is in copyright-related industries.
- The core copyright industries were responsible for more than 20 percent of the U.S. economy's growth in 2007.
- In *Arden v. Columbia Pictures Industries, Inc.*, 908 F. Supp. 1248 (E.D.N.Y. 1995), the court considered whether plaintiff's novel of a man trapped in a repeating day, forced to live the same day over and over, was infringed by the famous movie *Groundhog Day*, produced 12 years later. The court held that there was no infringement because the works were not substantially similar. Although the *ideas* expressed were the same, the *expression* of those ideas was quite different because the novel was dark and introspective and featured witchcraft while the movie was a romantic comedy. Any similarity between the two related only to unprotectable ideas, concepts, or abstractions.
- Even silence may be copyrightable. Artist John Cage, now deceased, recorded "4'33'" (an entirely silent piece lasting 4 minutes and 33 seconds). Whenever "4'33'" has been recorded by other artists, as it was by Frank Zappa in 1993 (for a tribute album to Cage), royalties have been paid to use the silent work.

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CHAPTER SUMMARY

Copyright protects original works of authorship that are fixed in a tangible form of expression such that they can be perceived, communicated, or reproduced either directly or with the aid of a machine or device. The requirement of originality means that the work must be independently created by the author; it need not be the only work of its kind. Copyrightable works include the following categories: literary works; musical works (including any accompanying words); dramatic works (including any accompanying words); pantomimes and choreographic works; pictorial, graphic, and sculptural works; motion pictures and other audiovisual works; sound recordings; and architectural works.

Some matter is uncopyrightable, such as ideas, useful articles, blank forms, titles, short phrases, common property (such as height and weight charts), lists of ingredients, facts, and matters in the public domain, including works whose copyrights have expired and works of the U.S. government.

A compilation of otherwise uncopyrightable material may be protectable (such as a book of lists). Similarly, a collection of other copyrightable material (such as a collection of film clips that make up a television program called *The Best of Saturday Night Live*) may itself be copyrightable as a new work. Finally, a work that is recast (such as a movie made from a book) is copyrightable, in regard to the new material, as a derivative work.

CASE ILLUSTRATION

MERGER DOCTRINE

Case: *Hutchins v. Zoll Medical Corp.*, 430 F. Supp. 2d 24 (D. Mass. 2006).

Facts: Plaintiff contended that the defendant infringed his two copyrights on software designed to illustrate the timing and quantity of compressions for those administering cardiopulmonary resuscitation. Defendant used phrases such as “call for help” and “check breathing” that were identical to plaintiff’s phrases.

Holding: There was no copyright infringement. Pursuant to the doctrine of merger, the allegedly copied phrases did not warrant copyright protection inasmuch as such phrases communicated ideas that, if not restricted to one form of expression, could be expressed in only a limited number of ways, such that their subject matter would be appropriated by one party if the court were to permit copyrighting of their expression.

CASE STUDY AND ACTIVITIES

Case Study: Holiday offers a wide variety of entertainment and shows aboard its ships. It has developed its own “theme” song for each show, *Holiday: The Fun and Only One*. Holiday has also developed a new system to speed embarkation and debarkation of its guests on and off the ship. Holiday has also developed a customer satisfaction survey for its guests to complete as they finish a cruise. Finally, Holiday sells a cookbook featuring recipes served aboard its ships.

Activities: Discuss the copyrightability of each of the above works.

ROLE OF PARALEGAL

The role of paralegals prior to preparing a copyright application will likely be limited to legal research relating to copyrightability so that clients can be advised about whether works created by them qualify for copyright protection and to ensure clients do not infringe the rights of others. Research may focus on any of the following topics:

- Whether a work is an original, fixed work of authorship;
- What type of work of authorship an author’s work is, for example, a literary work, dramatic work, musical work, or pictorial work;

- Whether the work is subject to protection as an expression rather than a mere idea, system, or process;
- Whether the work is excluded from copyright protection because it consists of blank forms, titles, slogans, common property, or facts;
- Whether the work is excluded from copyright protection as a work of the U.S. government; and
- Whether the author's work is a compilation, collective work, or derivative work.

INTERNET RESOURCES

Federal laws relating to copyright:	http://www.law.cornell.edu http://www.copyright.gov/title17/circ92.pdf
Copyright Office:	http://www.copyright.gov
General information:	http://topics.law.cornell.edu/wex (site of Cornell University Law School) http://www.megalaw.com http://fairuse.stanford.edu (Stanford University's excellent site providing general information about copyright law)

DISCUSSION QUESTIONS

1. Indicate whether the following are likely copyrightable or not copyrightable.
 - The lyrics to Lady Gaga's song "Bad Romance"
 - The title of Lady Gaga's song "Bad Romance"
 - The music video of Lady Gaga's song "Bad Romance"
 - The dance steps in Lady Gaga's song "Bad Romance"
 - Federal regulations relating to banks and banking
 - The slogan "What Would You Do for a Klondike Bar?"
 - A calculator app that you can download for your iPad
 - A cookbook entitled *Best Brunch Recipes* accompanied by photos and ideas for table settings
 - Garden shears
 - A silver charm of a rose hanging from a garden shears
2. An author has written a sequel to *The House of the Seven Gables*, originally written by Nathaniel Hawthorne (1804–1864). Must permission from anyone be obtained to prepare this derivative work? Discuss.
3. A writer has written a script for a new television show about a talented group of high schoolers who sing and dance. Would such a script infringe the well-known television show *Glee*? Discuss.
4. Identify each of the following as a compilation, collection, or derivative work:
 - A CD entitled *Bob Dylan's Greatest Hits*
 - The movie *127 Hours*, based on the book of the same name by author Aron Ralston
 - A book entitled *Biographies of U.S. Secretaries of State*

- A DVD entitled *Best Dance Routines from* Dancing with the Stars
 - A book listing the 100 most exciting cities in the world and identifying their average rainfall and average daily temperature
5. A novel will enter the public domain in five years. A significant new foreword has been added to the novel. What effect does this new material have on the copyright for the novel?

USING INTERNET RESOURCES

1. Use the website of the Copyright Office to answer the following questions.
 - a. Review Circular 34. Is copyright protection available for the name of the group “Black Eyed Peas”? Is copyright protection available for the name of the organization “Association of Corporate Counsel”?
 - b. Review Circular 40 and indicate whether the following are copyrightable:
 - A bumper sticker that states “Support Our Troops”
 - A silk flower arrangement
 - A smiley face symbol
 - A lace design
 - c. Review Factsheet 103. Actress Sandra Bullock recently wore a Calvin Klein dress to an awards ceremony. Is the drawing of the dress design copyrightable? May another maker “knock off” the dress and make a dress of the same design?
2. Access Columbia University’s Copyright Advisory Guide and review the Copyright Quickguide. According to this website, is the following statement true: “If you can see it, read it, hear it, or watch it, chances are it is protectable by copyright law”?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 11

The Rights Afforded by Copyright Law

CHAPTER OVERVIEW

Under the Copyright Act, a copyright owner has a “bundle” of rights: the right to reproduce, adapt, distribute, perform, and display the work to the exclusion of others. Thus, copyright owners have a full complement of ways to commercially exploit their works. There are, however, some important limitations on these exclusive rights. For example, once certain works have been distributed, under the “first sale doctrine,” the subsequent owner is free to distribute or resell the item without liability for infringement. Similarly, some activities do not constitute infringement, for example, some uses for certain educational activities, non-commercial fundraising, or for religious worship. Rights for sound recordings are considerably more limited than rights for other works, such as literary or musical works. Authors of fine arts such as paintings and sculptures may also have “moral rights,” meaning rights personal to themselves, that survive the sale of their work so that authorship of the work is forever attributed to them and the work is not mutilated or altered, which would prejudice their reputation as artists and creators. In fact, the exceptions to copyright owners’ rights can seem so complicated that they bring to mind Mark Twain’s famous quote, “Only one thing is impossible for God: to find any sense in any copyright law on the planet.”

INTRODUCTION

Section 106 of the Copyright Act provides that, subject to certain exceptions, the owner of a copyright has the exclusive rights to do and to authorize any of the following:

- To reproduce the copyrighted work in copies or phonorecords
- To prepare derivative works based on the copyrighted work
- To distribute copies or phonorecords of the copyrighted work to the public
- To perform the copyrighted work publicly (in the case of certain works)
- To display the copyrighted work publicly (in the case of literary, musical, dramatic and choreographic works, pantomimes, and pictorial, graphic, or sculptural works)
- To perform the copyrighted work publicly by means of a digital audio transmission (in the case of sound recordings)

Unless exemptions exist, unauthorized exercise of any of these rights by another is an infringement of the owner's copyright in the work, whether or not the owner has secured a copyright registration and whether or not the owner has published the work. Any of these exclusive rights may be transferred and they may be owned separately. For example, the composer of a song may authorize one person to perform it publicly and another to create a television show based on the song. Each right is separately transferable.

These exclusive rights, usually referred to as a "bundle," will be examined in this chapter.

RIGHTS OF REPRODUCTION

The most fundamental of the rights granted to copyright owners is the right to reproduce the work, thereby excluding others from reproducing

the work. A violation of the Copyright Act occurs whether or not the violator profits by the reproduction. Consider the warning displayed at the beginning of every video you rent that reproduction is a violation of the Copyright Act. Thus, making a copy of the movie *The Social Network* violates the owner's right to reproduction, even if you only intend to view the movie privately.

Only the owner has the right to reproduce the work. Secretly taping a concert, taking pictures at a filmed performance, or recording a simultaneously recorded speech all violate the owner's right to reproduce the work even if there is no later sale or distribution of the work.

At the suggestion of Congress, in 1978 a group of authors, publishers, and users established a not-for-profit entity called Copyright Clearance Center (CCC) to serve as a clearinghouse granting rights to reproduce and distribute books and periodicals. Authors register their works with the CCC, which then grants licenses to academic, government, and corporate users to copy and distribute the works. The CCC grants permission or licenses to use works and then collects royalty fees, which are distributed to the authors. Companies that photocopy articles from journals and magazines often enter into licensing arrangements with the CCC so they can make copies of articles for internal distribution within the company and remain in compliance with copyright law. The CCC is located at 222 Rosewood Drive, Danvers, MA 01923. Its telephone number is (978) 750-8400, and its Internet address is <http://www.copyright.com>.

A new trend among some copyright owners is to expressly grant licenses for others to use their works in limited ways. Creative Commons, a non-profit organization, allows musicians and other authors to grant licenses to others to borrow or adapt their works under a "some rights reserved" policy. Authors may either grant limited rights or total access by using free license agreements available

through Creative Commons's website (<http://www.creativecommons.org>). For example, one type of license allows others to sample, tweak, or remix a musical work as long they credit the original composer.

RIGHTS TO PREPARE DERIVATIVE WORKS

Section 106(2) of the Copyright Act provides that the owner of a copyright has the exclusive right to prepare derivative works based upon the copyrighted work. This right is often referred to as the right to adapt the original work.

As discussed in Chapter 10, a derivative work is broadly defined as a work based upon one or more preexisting works, such as a translation, dramatization, fictionalization, motion picture version, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications is also a derivative work, if the new material represents original work of authorship.

The copyright owner thus has the right to exclude others from adapting his or her work or

creating works based on the owner's work. For example, George Lucas has the right to exclude others from making sequels to his *Star Wars* works. Stephen King can exclude others from making a play or a television movie based upon his books. Taylor Swift can prevent another from making a movie based upon her songs. Of course, if the authors of the works consent, others may be granted rights to adapt a work. Thus, many of author Danielle Steel's works of fiction have been made into television movies, and the novel *The Road* was made into a motion picture. The new derivative work is separately copyrightable in regard to its new elements. Copyright in the derivative, however, does not affect the copyright in the original. Thus, the new elements, lines, characters, and so forth that are added to the movie *The Road* are separately copyrightable as a derivative work, while the original author retains rights to any material in the novel *The Road*.

In a new twist on derivative rights, fans of certain movies, television shows, books, and other works now write **fan fiction**, unauthorized works about preexisting characters and settings authored by those other than original authors. For example, devoted fans now write fanzine articles or post blogs

ETHICS EDGE



AVOIDING COPYRIGHT INFRINGEMENT

One of the easiest ways to violate the copyright rights of others is by reproducing or distributing materials without permission. The following are all copyright violations that are commonly committed by students (assuming there are no exceptions):

- Copying more than an insubstantial portion of a book or article, for example, copying an entire chapter of a textbook
- Making unauthorized copies of posters, photos, or other copyrighted artwork
- Distributing multiple copies of an interesting article to friends and colleagues
- Downloading music or movies without paying the necessary license fees
- Uploading copyrighted material to the Internet

on the Internet detailing new adventures of their favorite Harry Potter, Twilight, or Star Trek characters. Although these writings nearly always violate the copyright owners' rights to create derivative works, some authors tolerate or even encourage such fan fiction because it enhances interest and encourages sales of their original works. Other copyright owners zealously scour the Internet for infringements and then attempt to enjoin fan fiction. Fan fiction is not only likely a copyright violation (unless it is a protected fair use, such as a parody), but may also constitute a trademark violation or dilution of a mark if the fan fiction tarnishes a mark.

RIGHTS OF DISTRIBUTION AND THE FIRST SALE DOCTRINE

Section 106(3) of the Copyright Act provides that the owner of a copyright has the exclusive right to distribute copies or phonorecords of the work to the public by sale or other transfer of ownership, or by rental, lease, or lending. A violation of the distribution right can arise solely from the act of distribution itself even if the distributor did not make an unlawful copy or know the copy being distributed was unauthorized. Thus, Redbox video rental kiosks can be liable for violating an owner's right to distribute a movie, even if Redbox does not know that the movie was placed on DVD without the owner's authority. Authors often grant permission to others to distribute their works, including granting licenses through entities such as the CCC, discussed earlier.

One key limitation on a copyright owner's sole right of distribution is found in Section 109 of the Copyright Act, which provides that once the author has parted with ownership of a copy or phonorecord, the new owner of a lawfully made copy can treat the object as his or her own and can then freely use, sell, lease, or lend the work to another. Just as in trademark law (see Chapter 6), where the

first sale "exhausts" the trademark owner's right to a mark, in copyright law, the copyright owner's sale of an item exhausts his or her exclusive right to distribute the work. Thus, purchasing a copy of the book *The Help* or purchasing a DVD of the movie *The Twilight Saga: New Moon* gives the new owner the right to lend the book or DVD to a friend, resell the work at a garage sale, or even destroy it. The **first sale doctrine** does not apply to or limit the author's exclusive rights to prepare derivative works or rights of public performance and display, but only to distribution rights. The first sale doctrine rests on the principle that once the copyright owner sells the initial physical copy, he or she has received full economic value for the work and should not be able to restrict future sales. Note, however, that there is no digital first sale doctrine. If you purchase an e-book (rather than a conventional print book), you cannot later transmit it to others, resell it, or give it away (unless the seller or licensor allows you to do so). See Chapter 15 for additional information on the digital first sale doctrine.

The copyright owner, however, while having parted with distribution rights, retains other rights, such as the right to reproduce the work, perform it, adapt it, and prepare derivative works based on it. Thus, in the previous example, the purchaser of the book *The Help* does not have the right to make a movie of the book or to prepare a second updated version of the book based upon the original. The original owner, the author, retains such derivative rights, having lost only the right to distribution through the first sale doctrine.

Courts have struggled with the question whether the first sale doctrine applies to goods imported into the United States. Section 602 of the Copyright Act provides that importing copies or phonorecords of a work acquired abroad into the United States without the copyright owner's authorization is an infringement of the copyright owner's exclusive right to distribute his or her

works. In a 1998 decision, the U.S. Supreme Court held that once a first sale of a domestically manufactured product occurs, even if the sale is made abroad, the copyright owner's right to distribute is exhausted. Thereafter, the owner of the work or product can resell the item freely, without permission of the copyright owner. *Quality King Distrib. v. Lanza Research Int'l Inc.*, 523 U.S. 135 (1998). See Chapter 16 for further discussion of this topic.

Exceptions to the First Sale Doctrine

There are some exceptions or limitations to the doctrine that once a copyright owner parts with ownership of a copy or phonorecord he or she has lost the right to distribute his or her work:

- The first sale doctrine applies only to lawfully made copies and phonorecords. Thus, if Barnes & Noble bookstore comes into possession of a pirated or unauthorized version of Tina Fey's book *Bossypants*, resale to others would violate the author's rights of distribution, even if the bookstore did not know it possessed a pirated version of the book.
- Due to a special statutory exception, enacted largely at the urging of the music industry, the first sale doctrine does not apply to commercial rentals of phonorecords and certain computer programs. Those works cannot be commercially rented. Section 109(b) of the act specifically provides that neither the owner of a particular phonorecord nor any person in possession of a particular copy of a computer program may rent, lease, or lend such for commercial advantage (without the permission of the owner of copyright in the sound recording or computer program, respectively).

Prior to the enactment of 17 U.S.C. § 109(b), record stores would rent records and CDs to customers who then went home and made copies of the record or CD on a blank

tape or CD for a fraction of the price of buying the original. Because of the threat to the music industry, this rental practice is now banned. Thus, Shania Twain can prohibit the purchaser of her records or albums from renting those works commercially, generally because commercial renting of sound recordings would seriously undermine creativity and deprive copyright owners of revenue. Nonprofit libraries and other similar educational institutions may, however, lend or rent out sound recordings and computer programs. Additionally, if the computer program is incapable of being copied, it can be rented. Thus, Redbox can rent out computer video games to consumers because consumers are generally unable to duplicate or copy the video games. Finally, this limitation does not apply to computers that are part of other machines or products. Thus, a car can be rented by a consumer inasmuch as the computer programs, such as an onboard navigational system that makes up part of the car, cannot be readily copied and are integrated into the car itself. In sum, however, the author of a sound recording or computer program can prevent owners of lawfully made copies from renting, leasing, or lending their copies of the sound recording or computer program to others for direct or indirect commercial advantage.

The Droit de Suite Doctrine

Droit de suite (literally, "right of continuation") is a doctrine recognized in many foreign countries, but not generally in the United States, that allows authors of works of fine art to share in the appreciation of the value of a work. Under this doctrine, if a painter sells a painting for \$25,000 and the painting is later sold for \$100,000, the painter would be able to share in the \$75,000 appreciation of the

work. The doctrine attempts to place creators of fine art works on a level playing field with other authors and creators. For example, because the movie *The Godfather* still remains highly popular, its authors and creators continue to receive significant royalties from continuing sales of DVDs, posters, soundtracks, and so forth. However, if an artist sells an oil painting for \$5,000 and later becomes highly successful, the painting may later resell for \$2 million, with the appreciation going only to the art broker and the seller, and the original artist receiving no part of the proceeds.

California has enacted a statute called the California Resale Royalties Act (Cal. Civ. Code § 986), which accomplishes the same goal as the *droit de suite* doctrine by allowing artists residing in California to collect 5 percent of any resale price for their works, if the work (which must be an original painting, sculpture, drawing, or an original work of art in glass) is sold for at least \$1,000 and is sold for more than the reseller paid for it. The artist's rights last for 20 years after death.

Thus, in California, the first sale of a work of fine art does not exhaust the owner's distribution right because the original owner can share in the proceeds of a later sale. Some experts have questioned the constitutionality of the California statute inasmuch as the Constitution provides exclusive authority to Congress (not the individual states) to promote science and arts through copyright law. Moreover, the California law may ultimately damage the California art market if buyers avoid purchasing art in California in order to circumvent the 5 percent royalty they may later need to pay an artist. California is the only state that recognizes any *droit de suite* rights. There is no comparable provision in federal law, although some experts advocate that the United States should amend copyright law to recognize such rights so that visual artists may participate in the increase in the value of their works as do other artists, such as composers and authors.

RIGHTS TO PERFORM THE WORK PUBLICLY

Section 106(4) of the Copyright Act provides that in the case of literary, musical, dramatic and choreographic works, pantomimes, and motion pictures and other audiovisual works, the copyright owner has the exclusive right to perform the copyrighted work publicly. The word *perform* means to recite, render, play, dance, or act a work, either directly or by means of a device or process to show its images in any sequence or to make the sounds accompanying it audible. Thus, if an individual reads the copyrighted novel *The Lincoln Lawyer* on the *Tonight Show*, there have been two performances: one in the reading of the work before the live audience and the other in the transmission of it by the television show.

The copyright owner's right to perform is limited to public performances. To perform a work publicly means to perform the work at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered or to transmit or communicate the work to the public or to a place open to the public (again, outside of a small family or social setting), whether the performance is live or recorded. Performances at places such as clubs, lodges, schools, and summer camps are "public performances" subject to copyright protection. Thus, if Van Morrison sings a song copyrighted by Bob Dylan at a nightclub, theatre, in concert, on Howard Stern's radio show, or on the *Tonight Show*, he has violated Bob Dylan's right of public performance. Note that if Howard Stern's radio show is live in New York City but taped for later transmission in Los Angeles, there have been two separate public performances. The transmission by radio or television broadcast is a public performance even though listeners receive the transmission at different times and places and in the privacy of their own homes or cars. If Van Morrison sings the same song for a

small group of friends and family gathered at his home, however, there is no violation because there has been no public performance.

If a room or facility is open to the public and a copyrighted movie or song is performed therein, there has been a violation of the owner's exclusive right to public performance of his or her work. Courts have held, however, that a private viewing or transmission of a rented movie in a guest's hotel room is not a public performance, and such a viewing is treated the same as rental of a movie for home viewing. *See Columbia Pictures Indus., Inc. v. Prof'l Real Estate Investors, Inc.*, 866 F.2d 278 (9th Cir. 1989).

Exception for Sound Recordings

The exclusive right of a copyright owner to perform his or her work publicly does not extend to sound recordings. 17 U.S.C. § 114(a). Nevertheless, as discussed below, § 106(6) provides that owners of sound recordings have the exclusive right to perform their works publicly by means of *digital* audio transmission.

Recall from Chapter 10 that a sound recording usually protects the arrangement or production of a song (and its author is the performer or the record producer, or both), while a musical work is a musical composition and its accompanying words. There are thus two separate rights in music: the right protecting the notes and lyrics (this is the *musical work*) and the right protecting what you hear, such as the performer singing, the musicians playing, and the entire production and recordation of sound (which is the *sound recording*).

The limited rights afforded to sound recordings means that once a sound recording exists, others may perform it without liability. For example, when an AM or FM radio station plays or transmits a record of Frank Sinatra singing "My Way," a song written by Paul Anka, there is no violation of Frank Sinatra's or

the record company's rights, and no fee need be paid to play this song; however, there has been a violation of Paul Anka's right to perform the work publicly because he is the author of the underlying musical composition (assuming Paul Anka did not authorize the performance). Paul Anka thus receives a royalty or license fee as the songwriter although the performing artist, Frank Sinatra, does not. The likely rationale for this rule is to ensure that radio stations are not burdened by paying double royalties (one to the composer and one to the performer) in order to play most songs. Additionally, the conventional wisdom has been that airplay on the radio provides free promotion to the performers. Moreover, composers have objected to allowing a right of performance to sound recordings, likely fearing that they would then have to share their portion of royalties with the authors of the sound recordings, reducing their share of the pie.

Performers have fought for royalty payments for radio sound recordings since the 1950s, when Frank Sinatra argued in favor of royalties for performers of sound recordings. In 2009, legislation was introduced in the 111th Congress that would have granted performers of sound recordings rights to compensation when their songs were performed on AM or FM radio. The legislation did not pass, and at the time of the writing of this text, no one is certain if similar legislation will be reintroduced. However, in March 2011, the Obama administration's Intellectual Property Enforcement Coordinator recommended that Congress create a right of public performance for sound recordings transmitted by over-the-air radio stations and noted that the United States is alone among industrialized nations in not recognizing a public performance in sound recordings. The support of the White House for legislation giving sound-recording owners public performance rights may tip the scales in favor of such rights. Moreover, a coalition of artists and performers, musicFIRST, has broadbased support and

lobbies for compensation for performers when their sound recordings are played on AM and FM radio.

Performers have found the situation especially frustrating since other radio platforms, including satellite radio companies (such as SIRIUS XM), Internet radio (such as Pandora), and cable TV music channels, pay performance royalties to the owners of sound recordings, and even AM and FM radio stations that stream their signals online (simulcasting their signals over the Internet or via satellite) pay performance royalties. In fact, in early 2011, the Copyright Royalty Board set statutory rates for Internet royalties (meaning royalties paid by webcasters for the noninteractive streaming of sound recordings, assuming those webcasters have not entered into voluntary agreements to pay royalties). Only “terrestrial” AM and FM radio stations do not pay royalties to the performers themselves.

The Digital Performance Right in Sound Recordings Act (17 U.S.C. § 106(6)), added by Congress in 1995, however, provides that owners of sound recordings have the exclusive right to perform their works publicly by means of *digital* audio transmission. The new right afforded to the owners of copyright in sound recordings is protection against public performances of their sound recordings by subscription and interactive services. Although there are several exemptions, in brief, digital music services such as Rhapsody must now pay recording companies and performers when they transmit sound recordings. Additional issues relating to the downloading of music through the Internet and music file sharing are discussed in Chapter 15.

In sum, the exclusive rights of the owner of a copyright in a sound recording are limited to the rights to reproduce the sound recording (to ensure “pirates” do not make bootleg copies of a record), to prepare derivative works based on it, to distribute copies or phonorecords of the sound recording to the public, and to perform the work by means of a digital audio transmission. The owner of a sound recording

copyright has no right to control *performance* or *display* of the work and no right to receive performance royalties from airplay on conventional radio.

Other Exceptions

According to Section 110 of the Copyright Act, the following performances, many of which relate to nonprofit educational or charitable activities, do not violate a copyright owner’s exclusive right to perform his or her work publicly.

- **Face-to-face teaching.** The Copyright Act protects performances or displays of a work by instructors or pupils in the course of face-to-face teaching activities of a nonprofit educational institution in a classroom or place devoted to instruction and certain instructional or educational broadcasting by governmental bodies or nonprofit educational institutions engaged in systematic instructional activities. Thus, students in a drama class at a nonprofit college can perform a copyrighted play without liability and students in an English class at the college can publicly read copyrighted poems and other similar works without liability. Although the TEACH Act of 2002 (17 U.S.C.A. § 110(2)) allows for the use of some copyrighted materials in digital distance learning, there are still some restrictions. For example, the institution offering distance education must be an accredited, nonprofit educational institution, and many distance institutions are for-profit. Similarly, the use must either be for “live” or asynchronous class sessions and must not include the transmission of textbook materials.
- **Religious services.** Performances of a nondramatic literary or musical work in the course of services at a place of worship or other religious assembly are permissible. (The term “nondramatic musical work” usually refers to a song.) Thus, a choir may perform a copyrighted piece of music during church services without liability.

- **Promotion of records.** The Copyright Act allows performances of nondramatic musical works (namely, the playing of recorded music) at retail stores, such as record stores and stores that sell CDs and CD players, to promote sales.
- **Nonprofit and charitable performances.** Live (not transmitted) performances of non-dramatic literary or musical works for non-commercial (meaning “nonprofit”) purposes are permissible if there are no fees paid to the performers or organizers and no admission charges or, if there are charges, the net proceeds are used for charitable purposes and the author is notified so he or she can object prior to the performance. Copyright owners are allowed to object so they can ensure their copyrighted works are not used to support fundraising causes they oppose. This exception promotes benefit and fundraising concerts for educational, religious, or other charitable purposes. Thus, a free concert to raise funds for victims of Hurricane Katrina could use copyrighted music without liability.
- **Veterans and fraternal organizations.** The Copyright Act allows performances of non-dramatic literary or musical works at social functions organized by a nonprofit veterans’ organization or a nonprofit fraternal organization to which the public is not invited and the proceeds of which are used exclusively for charitable purposes and not for financial gain.
- **Agricultural and horticultural fairs.** Performances of a nondramatic musical work by a governmental body or nonprofit agricultural or horticultural association in the course of an annual agricultural or horticultural fair or exhibition are permissible.
- **Small commercial establishments and the homestyle exemption.** The Copyright Act (17 U.S.C. § 110(5)) allows transmissions of radio

and television broadcasts in small businesses, restaurants, and bars (less than 2,000 square feet for non-eating establishments and less than 3,750 square feet for eating establishments) thus allowing such establishments to play radios and televisions for the enjoyment of their customers without obtaining licenses, as long as no direct fee is charged and there is no further retransmission. Moreover, the establishment must use a single receiving apparatus of a kind commonly used in a private home. Note that this exception applies only to radio and television transmissions—setting up a CD player and playing a CD would be prohibited as a violation of the copyright owner’s exclusive rights. Similarly, if one augments a standard television with a VCR and shows DVD movies, such is not exempt. Businesses whose square footage exceeds the stated amounts also qualify for the exemption if they use six or fewer speakers or four smaller televisions. The intent of this provision is to exempt small commercial establishments whose proprietors merely bring onto their premises standard “homestyle” radio and television equipment and turn it on for their customers’ enjoyment. Use of any sound system more complex than that used for normal home use is not exempt. Nevertheless, some experts have estimated that nearly 70 percent of eating and drinking establishments qualify for the exemption and thus need not pay licensing fees to play the radio at their premises.

Similarly, this provision allows one to receive a transmission in public. For example, turning on your radio on the beach or watching an ordinary television in a public park is not a performance for which you need permission.

- **Transmissions for handicapped persons.** The Copyright Act allows certain transmissions for the benefit of blind and deaf persons, if the performance is for nonprofit.

As you can readily see, the foregoing exceptions share certain common characteristics. Generally, they either accommodate a particular public interest type of use, or they otherwise cause minimal economic impact on the copyright owner. Thus, several relate to specific nonprofit, educational, or charitable uses; others narrowly limit the circumstances of the use to ensure that there is no meaningful commercial exploitation.

Note that many of the exceptions relate to “non-dramatic literary or musical works,” meaning books, songs, and records and excluding plays, motion pictures, and operas. Thus, showing a motion picture at a religious service (even if it is related to religion) violates the owner’s rights of performance and is prohibited.

Performing Rights Societies

Because the playing of music by CDs and radio in theatres, clubs, or large establishments is a public performance (requiring permission of the copyright owner of the music) and because the copyright owner of the music would have a difficult time keeping track of each time his or her musical work is publicly performed to enforce his or her copyright rights, performing rights societies came into existence to reduce the administrative burdens for both those seeking to perform the work and copyright owners.

Composers, lyricists, and publishers usually join one of three performing rights societies that grant licenses to others to publicly perform the works of their members. The societies then collect and distribute royalty fees for the licenses granted (after deducting their administrative costs).

A **performing rights society** acts as an agent for copyright owners of *musical works* and issues licenses in their behalf. The best known of the performing rights societies are ASCAP (American Society of Composers, Authors, and Publishers)

and BMI (Broadcast Music, Inc.). A smaller society is SESAC (formerly, the Society of European Stage Authors & Composers). The repertoires of ASCAP, BMI, and SESAC include nearly every song copyrighted in the United States and much of the world. They issue blanket licenses to commercial establishments, radio and television stations, and clubs, allowing them to play any of the works in the societies’ repertoires or inventories for a fixed fee, thus eliminating the need for a large commercial establishment or radio station to negotiate thousands of separate licenses to play music owned by others. The societies charge license fees and then distribute the collected royalty fees to the thousands of composers, authors, and publishers they represent. The performing rights societies monitor and visit radio stations, clubs, restaurants, skating rinks, conventions, shopping malls, gyms, and other commercial establishments to ensure that copyrighted works are not being publicly performed without license. ASCAP, BMI, and SESAC function in granting licenses to perform music the way the Copyright Clearance Center does in granting licenses to others to reproduce and distribute written works, such as magazine articles. Information about the societies can be found at their websites: www.ascap.com, www.bmi.com, and www.sesac.com.

Commercial establishments such as hotels, stores, and other businesses may also be engaged in public performances when they “pipe in” music throughout the establishment or play music when callers are placed on hold, whether the music is from the owner’s own record or CD or is music being simultaneously played on the radio. Although smaller commercial establishments may be exempt, as discussed earlier, if larger enterprises pipe in such music, there has been a public performance for which permission or a license must be sought. Thus, in *Sailor Music v. Gap Stores, Inc.*, 668 F.2d 84 (2d Cir. 1981), the Gap stores were held to have publicly performed musical works in violation of the owners’ copyrights where two stores had several speakers

recessed in their ceilings with enhanced sound systems that broadcast songs, and the stores encompassed an average of 3,500 square feet of space.

Generally, fees charged by ASCAP, BMI, or SESAC to a commercial establishment are determined by square footage, room capacity, revenue generated by the license, or the number of trunk lines a company has coming into its offices that play music on hold.

While the owners of copyright in *musical works* join ASCAP, BMI, or SESAC, performers and labels now join SoundExchange, a nonprofit performing rights organization that collects royalties for the owners of *sound recordings* from satellite radio (such as SIRIUS XM), Internet radio (such as Pandora), cable television, and similar platforms that stream sound recordings. SoundExchange is the sole entity appointed by the Copyright Royalty Board to collect and distribute these digital performance royalties on behalf of artists and labels. SoundExchange thus performs a different function from ASCAP, BMI, and SESAC in that it is the only entity that collects and distributes *digital* royalties. Thus, for example, the composer of a song joins ASCAP, BMI, or SESAC to receive royalties arising out of the performance of his or her *musical* works or songs, whereas the performer or owner of the *sound recording* registers with SoundExchange to receive digital performance royalties. Royalties paid to SoundExchange are based on size and business model so that webcasters with significant advertising revenue, such as Pandora or Slacker, pay more than small sites.

RIGHTS TO DISPLAY THE WORK PUBLICLY

Section 106(5) of the Copyright Act provides that in the case of all copyrighted works other than sound recordings, the copyright owner has the exclusive right to display the work publicly. A display is

“public” under the same circumstances in which a performance is “public,” namely, if it occurs at a place open to the public or at a place where a substantial number of persons outside of the normal circle of a family and its social acquaintances is gathered, or if it is transmitted or communicated to the public or to a place open to the public (again, outside of a small family or social setting), whether the display is live or recorded. Recall that as to architectural works, the owner of the copyrighted architectural work cannot prevent the making, distributing, or public display of pictures, photographs, or other pictorial representations of the work if the building is ordinarily visible from a public place.

Exception for Owners of Lawful Copies

Just as the first sale doctrine allows the owner of a lawful copy of a book to sell it or lend it to another, a similar right allows the owner of a lawful copy of a work (other than a sound recording) to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located. 17 U.S.C. § 109(c). Thus, a museum or gallery that has purchased a painting or sculpture may display that work in the museum or gallery but may not display it by multiple displays, such as displays on multiple computer screens, or by some other method of transmission (e.g., closed-circuit television transmission) to viewers at another location. By way of illustration, a department store cannot have a bank of screens that display several multiple slide projections of a painting even if it has purchased the painting (unless permission from the copyright owner has been obtained). Only one image at a time can be displayed to viewers present at the place where the copy is located (primarily to ensure that movies are not shown or performed without the owner’s permission). Thus, the first sale doctrine operates so as to

allow the owner of a physical object such as a painting or photograph to display it to the public (subject to the geographical restrictions discussed).

Other Exceptions

Other exceptions to the copyright owner's exclusive right to *display* are similar to certain of the exceptions to the copyright owner's exclusive right to *perform* discussed earlier, such as the following:

- Displays in face-to-face teaching activities of nonprofit educational institutions and certain transmissions that are part of systematic instructional activities of a governmental body or nonprofit educational institution
- Displays in the course of religious worship and services
- "Homestyle"-type displays

OTHER LIMITATIONS ON EXCLUSIVE RIGHTS

In addition to the exemptions to copyright owners' exclusive rights already discussed (including exemptions for use of works for certain educational purposes, religious worship, noncommercial charitable purposes, and limited transmission for small establishments), there are a few other limitations on a copyright owner's exclusive rights to his or her work:

- Libraries or archives may reproduce or distribute one copy of a copyrighted work and maintain three copies for replacement or preservation if there is no commercial advantage, the library is open to the public, and a copyright notice is placed on the work. 17 U.S.C. § 108.
- Libraries and archives are not liable for infringement for unauthorized photocopying of copyrighted works by their patrons as long as a notice is placed on the equipment warning that

the making of copies may be subject to copyright law. *Id.*

- Cases have held that secondary transmissions whereby hotels and other similar establishments relay radio and television transmissions to private guest rooms without charge are acceptable because these are not "public" performances and are analogous to the viewing of a rented videotape in a private home.
- Radio and television stations that have entered into lawful arrangements to perform works may make one temporary or "ephemeral" recording of works (other than motion pictures and audiovisual works) for a limited time so that it is easier for them to transmit them and may preserve them for archival purposes (e.g., a radio station may copy a compact disc onto a cartridge so it can be readily played). 17 U.S.C. § 112.
- An owner of a computer program may load or install the program onto his computer or make a copy of it for archival or backup purposes without infringing copyright. 17 U.S.C. § 117.

In addition to the exceptions described, certain uses of copyrighted works are not infringement, for example, quoting lyrics of a song or narrative from a book in reviews of the material, using a work in news reporting or teaching, or parodying works. Such uses are called "fair use" and are discussed in Chapter 14 as defenses to copyright infringement.

MORAL RIGHTS AND THE VISUAL ARTISTS RIGHTS ACT

Introduction

Many countries recognize certain personal and non-economic rights of authors in their works to protect their honor and reputation, even after they have sold their work. Such personal rights are referred to as **moral rights**.

There are two primary moral rights: the right of **attribution** (sometimes called the right of pater-nity), which ensures the author's right to be known as the author of a work, and the **right of integrity**, which ensures that the work not be distorted, mutilated, or misrepresented in a way that would injure the author's reputation.

The Berne Convention, to which the United States is a signatory, requires that member nations protect authors' moral rights of attribution and integrity. In 1990, Congress enacted the Visual Artists Rights Act (17 U.S.C. § 106A) in order to comply with its Berne Convention obligations. Prior to this legislation, authors generally protected their moral rights through actions for breach of contract, defa-mation, misrepresentation, or unfair competition.

Definition of Visual Arts

The Visual Artists Rights Act is quite limited and applies only to works of visual arts, namely, paint-ings, drawings, prints, photographs (produced for exhibition purposes only), or sculptures that exist in a single copy or in a limited edition of 200 or fewer copies, if those copies are signed and consecutively numbered. Thus, for example, the Act would pro-tect a single painting or prints of that painting (if there are fewer than 200 signed and numbered cop-ies of the print). Works of visual art do not include posters, maps, globes, charts, technical drawings, motion pictures, books, magazines, newspapers, electronic information services or publications, or merchandising, promotional, and packaging mate-rial, works made for hire, and works not subject to copyright protection (such as useful articles). Thus, the term *visual arts* generally refers to what is com-monly called *fine art*.

Rights of Attribution and Integrity

The author of a work of visual art has the following rights of *attribution*:

- To claim authorship of the work
- To prevent the use of his or her name as the au-thor of any work of visual art that he or she did not create
- To prevent the use of his or her name as the author of a work of visual art in the event of a distortion, mutilation, or other modification of the work that would be prejudicial to his or her honor or reputation

The author of a work of visual art has the follow-ing rights of *integrity*:

- To prevent intentional distortion, mutilation, or other modification that would be prejudicial to his or her honor or reputation
- To prevent any destruction of a work of recog-nized stature, whether through intentional or gross negligence

Thus, authors of fine arts have the right to be identified as the creator of their works and to pre-vent mutilation of their works, such as intentional distortions of their paintings or removal of limbs from sculptures. Modifications that are the result of the passage of time (such as chipping and fading), conservation, or presentation to the public (such as occurs when paintings in museums fade due to exposure to light) are not violations of the statute. California also prohibits the destruction or muti-lation of works of fine art and recognizes the right of attribution. Cal. Civ. Code § 987. Other states, including Massachusetts and New York, also have versions of moral rights statutes.

The removal of works of visual arts from build-ings presents special problems. If the works (e.g., murals or sculptures) can be removed without de-struction or distortion, a building owner must give notice to the artist of the planned removal; should the artist not arrange for removal of the work within 90 days, the artist loses all rights in the work. If the artist pays for the removal, the artist will own all

rights to the work. 17 U.S.C. § 113. In a recent case in San Francisco, a famous four-story mural called *Lilli Ann* was whitewashed by the new owners of the building on which it was painted. After more than a year of litigation, the artists were paid \$200,000 by way of settlement for the destruction of their work.

The statutory protection for works of visual arts incorporated in buildings is in stark contrast to the lack of protection afforded to the copyright owner of the *architectural work* itself: Recall that 17 U.S.C. § 120(b) provides that the owner of a building embodying an architectural work may alter or even destroy the building without the consent of the copyright owner of the architectural work. If the building includes a work of visual art, however, which can be removed without its destruction, then the notice and removal provisions of Section 113 are triggered.

Extent and Duration of Moral Rights

The artist who creates the covered work owns the moral rights in it, even after selling the work to another. The moral rights reside with the author and, because they are personal rights, cannot be assigned or transferred to another, although the owner can waive his or her moral rights if the waiver is in writing.

In the case of a joint work prepared by two or more authors, a written waiver by one author waives rights for all authors.

For works created after June 1, 1991, moral rights endure for the author's life. Moral rights in works created jointly last until the death of the last surviving author.

Other Ways to Protect Moral Rights

Because the Visual Artists Rights Act applies to such a narrow category of works, namely, fine arts, authors of other works often use other remedies to

achieve a level of protection equivalent to moral rights. Authors can agree by contract when they sell their works that they are entitled to future attribution and integrity rights. If the purchaser later removes the author's signature from the work or destroys it, a breach of contract has occurred. Authors may also be able to bring an action for violation of their exclusive right to prepare derivative works if a subsequent owner of a work defaces it or edits it. Finally, Section 43 of the Lanham Act prohibits persons from making a false designation about the origin of goods. Thus, failure to give attribution by naming the author of a work or implying that an author is the creator of a revised or edited work may violate this section.

COMPULSORY LICENSES

In the early days of music recording, under the 1909 Copyright Act, once a composer authorized a sound recording, the composer was automatically entitled to a compulsory license or royalty fee of two cents per copy. Another producer was free to copy the sound recording as long as the statutorily set fee was paid. This arrangement, known as a **compulsory license**, allowed certain copyrighted works to be used by others, provided that the fixed fees were paid, eliminating the need for the user to contact each and every copyright owner for permission to use works. Moreover, the compulsory license prevented absolute control of popular music by the copyright owners of such music. Compulsory licenses of nondramatic musical works (again, usually meaning songs) are governed by 17 U.S.C. § 115.

The arrangement is called "compulsory" because once the creator of a nondramatic musical work has allowed phonorecords of that work to be produced and distributed, the statute compels or requires him to grant a license upon request to any other person

who proposes to make and distribute phonorecords of the work (including distribution by digital transmission), at a royalty rate set by law. For example, Mariah Carey is one of the composers of “All I Want for Christmas Is You.” She can allow or license another, such as Lady Antebellum, to perform the song. Once Lady Antebellum’s recording of the song is distributed to the public, the compulsory license provisions are triggered and any other performers who wish to sing “All I Want for Christmas” may now also record the song, if they pay the compulsory license fee (or negotiate with the composers). Mariah Carey is then compelled to allow later performers to record her song at the set fee.

The provisions of Section 115 of the Copyright Act do not prohibit a party from entering into a voluntary license arrangement with a copyright owner but rather provide a method of licensing when voluntary arrangements are not pursued, the copyright owner is unwilling to negotiate, or the copyright owner cannot be located. In such a case, the person intending to record the work may use the compulsory licensing provisions of the copyright law. In fact, use of the compulsory license scheme is somewhat rare as “the vast majority of contracts for use of copyrighted musical works involve voluntary [arrangements].” *RIAA v. Copyright Royalty Tribunal*, 662 F.2d 1, 4 (D.C. Cir. 1981).

Thus, once a nondramatic musical work (such as a song) has been distributed to the public on a phonorecord under the authority of the copyright owner, any other person may make or manufacture other phonorecords for distribution to the public as long as notice is given and the set fees are paid. A compulsory license may be obtained only if the primary purpose in making the phonorecords is to distribute them to the public for private (not commercial) use.

A compulsory license is not available for phonorecords intended for use in background music

systems, jukeboxes, broadcasting, or any other public use. Proprietors of establishments that allow patrons to make selections on coin-operated jukeboxes are encouraged to enter into voluntary (rather than compulsory) license agreements. At present, licenses for coin-operated jukeboxes are available from the Jukebox License Office, a joint venture of ASCAP, BMI, and SESAC, by which all of the songs in their repertoires may be performed by the jukebox operator. If music is performed at an establishment by some means other than a jukebox (e.g., a band or DJ), a separate license from one or more of these performing rights societies is needed.

There are several other types of compulsory licenses in addition to those for making and distributing phonorecords or digital phonorecord deliveries of nondramatic musical works. Other compulsory licenses include the following:

- Secondary transmissions by cable television systems (17 U.S.C. § 111)
- Public performances of sound recordings by means of a digital audio transmission, such as music played on SIRIUS XM (17 U.S.C. § 114)
- Noncommercial broadcasting (17 U.S.C. § 118)
- Secondary transmissions of superstations and network stations for private home viewing (17 U.S.C. § 119)

Generally, compulsory licensing requires that users pay the royalty fees established by the Copyright Office to the copyright owner or to the Licensing Division of the Copyright Office. The Copyright Royalty Board sets the rates and terms for use of compulsory licenses. At present, the rate is 9.1 cents or 1.25 cents per minute of playing time, whichever is greater.

In a recent development, the Copyright Office determined in 2006 that cell phone ringtones are subject to the compulsory license provisions of Section 115. See Chapter 15 for additional discussion.

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- According to the Recording Industry Association of America (RIAA), the year 2009–2010 saw a 22 percent drop in sales of physical music units (CDs, etc.) in the United States (although digital sales of music had increased).
- In early 2008, the NFL decided to allow churches and other places of worship to show its football games on big-screen televisions. After pressure from various church leaders and Congress, the NFL said it would not sue for copyright infringement if its games were shown at houses of worship.
- In fiscal year 2009, the Copyright Office collected approximately \$262 million in licensing royalty fees for various copyright owners.
- The largest source of revenue for copyright owners is public performances of their works.
- ASCAP represents more than 410,000 U.S. composers, songwriters, and lyricists.
- ASCAP's repertory is more than 8.5 million works; BMI's repertory is 6.5 million copyrighted musical works.
- The performing rights societies (such as ASCAP and BMI) return to their members about \$0.85 of every dollar collected.
- John Philip Sousa, Jerome Kern, Irving Berlin, and Victor Herbert were among the first members of ASCAP. Some of ASCAP's current members are Madonna, Garth Brooks, and Bruce Springsteen. Some of BMI's current members are Kanye West, the Black Eyed Peas, and Miley Cyrus.

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CHAPTER SUMMARY

Owners of copyright are granted a bundle of exclusive rights:

- Rights to reproduce the work
- Rights to prepare adaptations or derivative works based on the original work
- Rights to distribute the work
- Rights to perform the work
- Rights to display the work

Exercise of any of these rights without permission of the copyright owner will constitute infringement of copyright, even if there is no intent to infringe and the use is innocent. There are, however, important exceptions to the exclusive rights granted to copyright owners, such as rights to use certain copyrighted works in certain instructional and educational activities, during religious worship services,

for noncommercial fundraising, for the handicapped, and for transmission of works in small commercial establishments. Moreover, according to the first sale doctrine, once a copyrighted work (excluding sound recordings and certain computer programs) has been lawfully distributed by the owner, the new purchaser is free to further distribute the work by sale or lending.

A copyright owner's rights in sound recordings are significantly more limited than rights granted to authors of other works.

Finally, authors of fine arts such as paintings and sculptures are granted "moral rights" in those works, allowing them to be identified as the author of the work and prohibiting destruction or alteration of the work, even after the creator has sold it.

CASE ILLUSTRATION

RIGHTS UNDER THE VISUAL ARTISTS RIGHTS ACT

Case: *Martin v. City of Indianapolis*, 192 F.3d 608 (7th Cir. 1999)

Facts: An artist constructed a large metal sculpture in an outdoor park on property later acquired by the City of Indianapolis. The city demolished the sculpture as part of an urban renewal project (and did not give notice to the artist of the demolition). The artist sued the city, alleging a violation of his rights under the Visual Artists Rights Act. The district court granted summary judgment to the artist.

Holding: Affirmed. To be protected from destruction under the Visual Artists Rights Act, a work must be one of "recognized stature." Although the term "recognized stature" is not defined by statute, in this case, newspaper articles, magazine articles, letters in support of the sculpture, and its prize-winning status showed that it was a work of recognized stature. Although the destruction of the work by the city was thus a violation of the artist's rights under the Visual Artists Rights Act, such destruction was not willful so as to enable the artist to recover enhanced damages; the destruction by the city was due to its bureaucratic failure rather than any willful act.

CASE STUDY AND ACTIVITIES

Case Study: Holiday allows its guests to select DVDs of recently released movies to be played in their staterooms. Holiday also pipes in background music throughout its ships' large, central lobbies. Finally, one of Holiday's musical acts sings a medley of Billy Joel songs.

Activities: Consider each activity and determine whether any of the exclusive rights of copyright owners has been violated.

ROLE OF PARALEGAL

Paralegals may need to participate in copyright audits to ensure that clients are not infringing copyrighted works, even innocently. Common activities include the following:

- Surveying clients to determine if music is played on hold for telephone callers or if music is piped into clients' business establishments or if radios are played or television shown at their establishments;
- Contacting ASCAP, BMI, and SESAC and obtaining sample license agreements and royalty fee schedules so arrangements can be made for performance of copyrighted works; and
- Preparing newsletters and copyright fact sheets for distribution to clients advising them of possible copyright violations in the photocopying and distribution of literary works (such as magazine and journal articles), use of copyrighted materials including songs and movie clips in presentations, playing of music on hold or throughout the clients' places of business, and playing the radio or showing television at their establishments.

INTERNET RESOURCES

Federal laws relating to copyright:	http://www.law.cornell.edu http://www.gpo.gov/fdsys
Copyright Office:	http://www.copyright.gov (for information on compulsory licenses)
Performing rights societies:	http://www.ascap.com http://www.bmi.com http://www.sesac.com
Copyright Clearance Center:	http://www.copyright.com
General information:	http://www.megalaw.com http://copyright.iu.edu/resources

DISCUSSION QUESTIONS

1. Pam resells her copy of the novel *Sarah's Key* to a used bookstore. Does this sale violate any of the author's rights to distribute the book? Discuss.
2. Suzanne dances "The Star," a copyrighted ballet, at her private, weekly exercise and dance class at a local dance studio. Does this performance violate any of the copyright owner's rights of performance? Discuss.
3. Given the facts in question 2, what if Suzanne dances the ballet at a small luncheon her aunt is having in her home? Does this performance violate any of the copyright owner's rights of performance? Discuss.
4. ABC Inc. is the owner of a building in which a sculpture of an eagle is displayed in a niche in the lobby of the building. ABC is destroying the building and wishes to destroy the sculpture as well. May it do so? Discuss.

5. Eduardo is an artist residing in California. In 2005, he sold his first painting to a collector for \$1,200. Last month the original purchaser sold the work to another for \$40,000. What are Eduardo's rights, if any?
6. The First Assembly Church is having a fundraiser in its social hall to raise money for its summer Bible camp. The church's choir plans to sing some copyrighted songs at the event. Is this permissible? Discuss.
7. Marisa, a noted portrait painter, sold an original painting to Andrew. Andrew has decided that Marisa's signature on the painting is distracting and intends to remove it. Would this act violate any of Marisa's rights? Discuss.
8. Given the facts in question 7, what if Marisa's signature was removed in the course of restoring the painting? Would your answer change? Discuss.
9. Cal, the proprietor of Cal's Diner, a small (3,000-square-foot) restaurant, brings his radio to the diner so his customers can hear music while they eat. Is this permissible? Discuss. Would your answer change if Cal brought in his CD player to play his collection of Shania Twain songs? Discuss.

USING INTERNET RESOURCES

1. Access the website of the Copyright Clearance Center (CCC) and review the information "About" the CCC, specifically "CCC Facts." Does the CCC license online content such as blogs?
2. Access the Copyright Office website. Review Circular 73. Must one use a compulsory license to make and distribute a phonorecord of a song? Discuss.
3. Access ASCAP's website.
 - a. Search for works performed by Sheryl Crow. Select Song 2. What is this song?
 - b. Search for the song "Get the Party Started/Sweet Dreams" (performed by Pink). If you wanted to negotiate for a license to make and record a version of this song, whom would you contact?
4. Access BMI's website.
 - a. Search for works performed by Eminem. Who are the songwriters/composers of the song "Eight Mile"?
 - b. Locate BMI Work 11700529. What is the song and who is the artist?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 12

Copyright Ownership, Transfers, and Duration

CHAPTER OVERVIEW

Copyright ownership vests in the author of a work. Special issues arise when more than one person creates a work, when a derivative work based upon an underlying work is created, or when existing works are combined into a collection, such as an anthology. Determining ownership is critical because the exclusive rights of reproduction, adaptation, performance, display, and so forth belong to the copyright owner. The person who creates a work is the author; however, if a work qualifies as one “made for hire,” the employer or commissioning party, not the author, is the creator. A work qualifies as a work made for hire if the work is created by an employee within the scope of employment or if the work falls within one of nine enumerated types of works and the parties agree in writing that the work is one made for hire. In such cases, the exclusive rights ordinarily granted to the work’s creator will instead be owned by the employer or commissioning party.

Copyright rights may be transferred. A transfer of exclusive rights must be in writing, while a nonexclusive grant, or license, need not be in writing. To protect copyright authors, even absolute or exclusive transfers of rights can be set aside or undone by the author or certain heirs during a five-year period beginning in the 36th year after a transfer.

Duration of copyright rights for works created after January 1, 1978, is for the author's life plus 70 years. For joint works, the duration is for 70 years after the last survivor's death. For works made for hire, the duration is generally 95 years from first publication or 120 years from creation, whichever is shorter. Works copyrighted before January 1, 1978, are subject to special rules.

COPYRIGHT OWNERSHIP ISSUES

Copyright in a work protected under the Copyright Act initially vests in the **author** or authors of the work. 17 U.S.C. § 201(a). Issues about ownership arise when more than one person creates a work, when the work has multiple parts (such as a song consisting of a melody composed by one person and lyrics composed by another), or when work is created by an employee. Determining ownership is critical because it affects other rights, such as the ability to transfer or license a work and the duration of the copyright in a work.

Ownership of a physical object is separate and distinct from ownership of the copyright embodied in the material object. 17 U.S.C. § 202. Thus, the purchaser of choreographic notations for a ballet written by Mikhail Baryshnikov acquires only the written document. Baryshnikov, as the copyright owner, retains the exclusive rights granted under Section 106 of the Act, such as rights to perform the work and prepare derivative works based on it. Similarly, purchasing a manuscript, handwritten lyrics to a song scratched on an envelope, or letters written by a famous person gives the purchaser ownership only of those physical objects. As a further example of the principle that ownership of the work itself is not the same thing as ownership of the copyright in the work, consider that the U.S. government owns the well-known sculpture "Vietnam Women's Memorial," located on federal property, yet the copyright to the work is retained by the artist, Glenna Goodacre.

Thus, she retains the right to sell photographs of the work, place it on T-shirts for sale, and so forth.

Unless copyright has been explicitly conveyed with the physical articles, the original authors generally retain all other rights associated with the works, including the rights to reproduce them, create derivative works based on them, and any other exclusive rights granted to copyright owners under Section 106 of the Copyright Act (subject, of course, to the first sale doctrine).

JOINT WORKS

Intent to Create a Unitary Whole

A **joint work** is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole. 17 U.S.C. § 101. Only one copyright exists in the created work. Examples of joint works are books that are coauthored by individuals; plays that are composed of narrative written by one party, music by another, and lyrics to the music by a third; songs such as "Don't Cry for Me Argentina," in which the music was written by Andrew Lloyd Webber and the lyrics by Tim Rice; and books that consist of narrative written by one person and illustrations by another.

It is the intent of the parties at the time a work is created that determines whether it is a joint work. Thus, if two persons sit at a piano and collaborate on a melody and lyrics, the resulting song is a joint work. More difficult issues arise when parts to a work are created at different times, for example, when a melody is composed by itself and lyrics are added later. The parties' intent governs. If the first composer intended the work to be complete at the time he or she composed it, the copyright in the melody is owned solely by him or her. Merely changing one's mind at some later date and allowing another to add lyrics to a completed work does

not convert the work into a joint work. In such a case, the first composer owns the copyright to the melodic composition, and the lyricist has created a derivative work based on the first and owns rights in the newly created lyrics alone. Unless both parties intend at the time they make their contributions that the parts be combined or absorbed into an integrated unit, there is no joint work. Joint works also result when a copyright owner transfers rights to more than one person or a copyright passes by will to two or more persons.

Merely making suggestions or giving directions to one creating a work is not sufficient to make one a joint author. For example, giving an architect instructions that a house to be designed by the architect should have a certain amount of living space does not make one a joint author. Although the contributions of coauthors need not be equal in either quality or quantity, each collaborator's contribution must be separately capable of copyright.

In *Aalimammed v. Lee*, 202 F.3d 1227 (9th Cir. 2000), a case involving contributions made by an individual to the movie *Malcolm X*, the court held that to be a joint author, it is not enough to make a valuable contribution to a work; joint authors are those who "mastermind" or "superintend" the creative effort. Otherwise, nearly anyone who contributes to a movie or website design could claim to be a joint author. Although the plaintiff made important contributions to the movie, neither Warner Brothers nor the director, Spike Lee, were bound to accept them. Thus, because the plaintiff had no control over the work, he was not a joint author.

In regard to dividing profits arising out of joint works, courts presume the parties contributed equally unless they provide otherwise. Thus, if three individuals coauthor a book, the profits or royalties will be divided in equal thirds unless the parties agree to some other division. Equal division of profits occurs even when the contributions of the coauthors are not equal. Agreements regarding division

of revenue among joint authors should thus be in writing to avoid later disputes.

Ownership Rights in Joint Works

If individuals are authors of a joint work, each owns an equal undivided interest in the copyright as a tenant in common, meaning that each has the right to use the work, prepare derivative works based on it, perform it, display it, and so forth, without seeking the other coauthor's permission. Because each coauthor has rights in the work, one cannot exclude another from using the work or exercising the rights of copyright ownership. Nevertheless, if profits arise out of such uses, an accounting must be made so that each author shares in the benefits or proceeds.

Any coauthor may grant a *nonexclusive* license to another party to use the joint work without permission from the other coauthors; however, the granting of an *exclusive* license (one in which rights are granted solely to one party with no other party having any rights to use the work) requires consent from all coauthors of a joint work. Similarly, a joint owner cannot transfer all interest in the work without the written consent of the other coauthor(s) (although a joint owner may sell his or her own interest in the copyrighted work).

Upon the death of a coauthor, his or her rights pass to heirs who then own the rights in common with the other coauthor(s). Joint ownership of a work often arises in this fashion. A book may be authored by one person. Upon that person's death, the copyright may pass to several heirs who now own the work jointly.

Duration of Copyright in Works of Joint Ownership

A copyright generally lasts for the author's life plus 70 years. 17 U.S.C. § 302. If the work is a joint work, however, the copyright lasts until 70 years after the last surviving coauthor's death. Additionally, as discussed

in a later section in this chapter entitled “Termination of Transfers of Copyright,” each joint author has the ability to terminate or undo his or her transfers.

OWNERSHIP IN DERIVATIVE OR COLLECTIVE WORKS

If a work such as a book is created by one person who intends it to be complete at the time and illustrations are later added to it by another, the work cannot be a joint work because there was no intention of the parties to create a unitary whole at the time of their creation. In such a case, the new work, consisting of text and illustrations, is a derivative work (assuming the original author authorized the illustrator to use the earlier work).

The author of the original book has rights only to his or her work and cannot reproduce or perform the derivative work without permission. Similarly, the author of the derivative work cannot create further works based on the original book without permission and cannot reproduce the original work (or exercise other copyright rights) without permission. Each author owns nothing more than his or her original contribution.

Copyright to the first work (the book alone) will last until 70 years after its author’s death, and copyright to the derivative work (illustrations) will last until 70 years after its author’s death.

Multiple ownership rights may also arise if separately copyrightable works are compiled into a collection. For example, if essays written by Jerry Seinfeld, Ellen DeGeneres, and Steve Martin are collected into a humor anthology by Bill Jones (with permission of the original authors), the original authors retain their exclusive rights (such as rights to reproduce, distribute, and perform) in their respective essays. No joint work is created because there was no intent at the time the separate essays were created to merge them into a unitary whole. No derivative work is created because the original works have not been

transformed in any way and nothing new has been added to them. The anthology by the compiler, Bill Jones, is a collective work and, pursuant to Section 201(c) of the Act, Jones acquires only the right to reproduce and distribute the contributions as part of the particular collective work or any revision of the collective work. Jones does not have any ownership interest in the original essays. In a collective work, the parts that compose it remain separate and independent; in a joint work, the separately contributed elements merge into a unified whole.

WORKS MADE FOR HIRE

Introduction

Although the general rule is that the person who creates a work is the author of that work and the owner of the copyright therein, there is an exception to that principle: The copyright law defines a category of works called **works made for hire**. If a work is “made for hire,” the author is considered to be the employer or commissioning party and not the employee or the actual person who created the work. The employer or commissioning party may be a company or an individual.

There are two types of works that are classified as works made for hire: works prepared by an employee within the scope of employment and certain categories of specially ordered or commissioned works.

Works Prepared by Employees in the Scope of Employment

Copyright in works prepared by employees is presumptively owned by their employers. For example, if an employee is tasked with creating a computer program by his or her employer, the resulting work is owned by the employer who is treated as the author of the work for purposes of copyright law. Unless the parties have agreed otherwise in writing, the employer owns all of the rights pertaining to the

works created by an employee on the job. Oftentimes, however, questions arise whether the person creating the work is an “employee” (such that his or her creations belong to the employer) or whether the person is an **independent contractor** (such that his or her creations belong to him or her as the owner/author). This question often arises when freelance artists prepare works for others.

In *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), the Supreme Court held that the term *employee* for purposes of determining authorship of works made for hire should be interpreted according to general common law agency principles. If the person doing the work is an employee under common law agency principles and the work was done in the scope of employment, the employer (not the employee) is the copyright owner/author.

The Court identified certain factors that characterize an employer-employee relationship:

- **Control by the employer over the work.** If the employer has a voice in how the work is done, has the work done at the employer’s location, and provides equipment and tools to the person to create the work, such tends to show an employer-employee relationship.
- **Control by the employer over the worker.** If the employer controls the worker’s schedule in creating work, has the right to have the worker perform other assignments, determines the method of payment, and/or has the right to hire the worker’s assistants, such evidences an employer-employee relationship.
- **Status of employer.** If the employer is in business to produce such works, provides the worker with benefits similar to those received by other workers, and withholds taxes from the worker’s compensation, such is supportive of an employer-employee relationship.

In *Reid*, a freelance sculptor was held to be the owner of a sculpture when he supplied his own

tools, worked primarily in his own studio, had freedom to decide when and how long to work, and the commissioning party did not pay his taxes and provided no benefits to him. Moreover, the commissioning party had retained him for only two months and had no right to assign additional projects to him. Thus, the sculptor was held to be an independent contractor and owner of the copyright in the sculpture.

The factors identified in *Reid* are not exhaustive; for example, courts can also consider the duration of the relationship of the parties (a long-term relationship is indicative of employment) and the skill level of the employee. Moreover, no one factor is determinative. All or most of these factors, however, characterize a regular, salaried employment relationship, and works created by employees in the course and scope of such a relationship are works made for hire, authorship and copyright of which vests in the employer (unless the parties agree in writing otherwise). Some courts have given significant weight to whether the hiring party provides benefits to the hired individual and pays taxes for the individual, reasoning that it would be unfair to allow a hiring party to claim a worker is an independent contractor so it need not pay taxes or provide benefits and then later allege the worker was an employee so it can obtain ownership of a copyright.

The Copyright Office has provided the following examples of works made for hire (that are then presumptively owned by the hiring party):

- A software program created by a staff programmer for Creative Computer Corporation
- A newspaper article written by a staff journalist for publication in a daily newspaper
- A musical arrangement written for XYZ Music Company by a salaried arranger on its staff

Note that the work must be created *within the scope of employment* to be a work made for hire. Thus, if the software program was created by a

person before joining Creative Computer Corporation, the company has no rights to the work. Similarly, if an employee employed by Creative Computer Corporation writes a book about computers in the evenings and weekends, the work is likely not a work made for hire because it was not created in the scope of the employee's duties.

Many employers demand that employees sign agreements acknowledging that works created by the employees will be works made for hire. Such agreements may be considered by courts, but an agreement alone is not controlling. Other factors may be considered in determining the nature of the parties' relationship. One approach to ensure ownership vests in the employer may be to recite in an agreement that the relationship is one of employer-employee, that works created by the employee are works made for hire owned by the employer, and that in the event it is later determined by a court that the work is not one made for hire, the employee irrevocably and automatically assigns all rights to the work to the employer. Such an agreement will likely be given effect by a court. If the employee desires to retain ownership of works created in the scope of employment that otherwise would be works made for hire, the parties must expressly agree in a written instrument signed by both parties. (See Appendix D, Form 12, for sample provisions in employment agreements relating to works made for hire.)

Specially Commissioned Works

If the work is not one prepared by an employee but, rather, is one prepared by an independent contractor, it can be deemed a work made for hire and thus owned by the commissioning party if three conditions are met: it is a specially ordered or commissioned work; the parties agree in writing that the work is one made for hire; and the work falls into one of nine specially enumerated categories. 17 U.S.C. § 101. All three of these elements must be satisfied if

the work is to be one made for hire. The nine categories of works are as follows:

1. A contribution to a collective work
2. Part of a motion picture or other audiovisual work
3. A translation
4. A supplementary work (a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, illustrating, or explaining the work, such as forewords, pictorial illustrations, tables, editorial notes, bibliographies, appendices, and indexes)
5. A compilation
6. An instructional text (a literary, pictorial, or graphic work prepared for publication with the purpose of use in systematic instructional activities)
7. A test
8. Answer material for a test
9. An atlas

Although the parties can agree in writing that the commissioning party owns the work, this agreement will not convert a work that does not fit within one of the nine statutorily designated categories into one made for hire. Therefore, the safest approach for the commissioning party is for the parties to agree in writing that the work is one made for hire and that if for some reason the work is determined not to be one made for hire, by the same document, the work is automatically assigned and transferred to the person who commissioned the work.

For example, assume that a museum hires a freelance graphic artist to create a painting and an audiovisual slide presentation for a museum opening, and the parties agree in writing that the works are to be owned by the museum and are to be considered works made for hire. Although the audiovisual slide presentation is a work made for hire (it was specially commissioned, the parties agreed in writing it would be considered a work made for hire, and it fits the

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Inherent in the duty of competence imposed on all legal professionals is to be proactive in protecting clients' interests. As you review client materials, look for ways to ensure clients' rights are protected. For example, as you review employee manuals or agreements with vendors, check to ensure that appropriate provisions exist to protect intellectual property. Employment manuals and agreements with vendors should include clauses reciting that intellectual property created by employees or vendors is owned by the client/employer and that if for some reason the clause is ineffective, the employee or vendor automatically assigns intellectual property rights to the client/employer. Protecting clients' interests in such a way is not "looking for business," but is rather part of an overall strategy designed to ensure clients have the widest possible scope of protection for their IP assets.

statutory definition), the painting is not a work made for hire despite what the parties agreed because it does not fit the statutory definition. Thus, a safety net clause should be added in written agreements conveying all of the author's rights in the painting in the event it is not a work made for hire. This would allow the museum to create derivative works based on the painting, display it, and so forth.

Effects of Works Made for Hire

There are several effects if a work is classified as one made for hire:

- **Ownership.** The owner/author of a work made for hire is the employer or commissioning party. The artist who created the work has no more rights in the work than any stranger, and the artist cannot reproduce, distribute, or perform the work, or prepare derivative works based on it, without being liable for copyright infringement.
- **Duration.** Copyrights in works made for hire endure for 95 years from publication or 120 years from creation, whichever is shorter. Copyrights in other works generally endure for the author's life plus 70 years thereafter.

- **Reversion of transfers.** Rights in works that are *not* made for hire can be recaptured by the author after 35 years, even if there has been an unconditional transfer or sale to another. (See the section entitled "Termination of Transfers of Copyright" later in this chapter.)
- **Moral rights.** There are no moral rights (rights of attribution and integrity) in works made for hire because they are not defined as works of "visual arts." 17 U.S.C. § 101.

TRANSFERS OF COPYRIGHT

Divisibility of Ownership

Any or all of the exclusive rights of the copyright owner (rights to reproduce, prepare derivative works, distribute the work, and perform and display the work publicly) can be transferred or licensed to another party. 17 U.S.C. § 201(d). Thus, the author of a book may grant the right to prepare derivative works based on the book to one party and yet transfer the rights to distribute the book to another party. The grants or licenses can be perpetual or for limited terms. Similarly, they can be limited to certain geographic areas,

such as when one party is granted the right to distribute a work in the western region of the United States and another party is granted the right to distribute the work in the eastern region of the United States.

Copyright rights are divisible, meaning they can be subdivided, such as occurs when the copyright owner of a book carves up his or her rights to prepare derivative works by granting one party the right to translate the book, granting another party the right to make a motion picture based on the book, and granting a third party the right to prepare a sequel to the book.

Granting rights to others is a way for copyright owners to exploit their works to the fullest extent. The copyright owner will grant rights and generally require payment therefor, such as by negotiating a flat fee or by continuing and periodic royalties on the sales of each book or song exploited by the licensee.

Requirement of Writing for Transfer of Exclusive Rights

A transfer of copyright ownership other than a transfer by operation of law is not valid unless the transfer is in writing and signed by the owner of the rights conveyed (or his or her authorized agent). 17 U.S.C. § 204(a). This requirement of a writing protects copyright owners from inadvertently transferring their copyrights. Granting rights on a nonexclusive basis (e.g., allowing several parties to reproduce the work) is not considered a “transfer” under the Copyright Act and thus need not be in writing. Such an arrangement is generally called a license, and although there is no requirement that there be a written document, such is advised because it lends certainty to the terms of the transaction. (See Exhibit 12–1, Assignment of Copyright.)

Like other property rights, copyrights can be transferred by operation of law, generally meaning the law can require a transfer. For example, transfers by operation of law occur when, in a bankruptcy, the

bankrupt’s property is transferred to the bankruptcy trustee or to a creditor; when a court orders the sale or transfer of a copyright in a divorce proceeding; or when an owner dies without leaving a will and the laws of intestate succession govern who acquires the decedent’s property. Copyrights can also pass by will to one’s specified beneficiaries.

Just as trademarks can be used to secure obligations, copyrights can serve as secured property. If Sheryl Crow wishes to borrow money from a bank, the bank may require her to pledge certain copyrights in her songs as security for repayment of the debt. If she fails to repay the debt, the bank can seize the copyrights and all rights therein. In fact, some entertainers, including David Bowie and the group Iron Maiden, have sold bonds backed by predicted revenues from future recordings and performances. Bowie financed one of his tours with the money raised from the sale of such bonds.

Recordation of Transfers

There is no requirement that transfers or licenses of copyright or grants of security interests in copyright be recorded with the U.S. Copyright Office. Recordation is prudent, however, because it provides notice of rights in copyrights and may establish priorities in the event of conflicting transfers. The Copyright Office does not make or participate in the transfer but merely records the document in its files. Recordation can be made whether the work is published or unpublished and whether or not it has been registered with the Copyright Office. Other documents pertaining to copyrights can also be recorded. For example, a will that bequeaths a copyright can be recorded with the Copyright Office. The Copyright Office provides a form for a cover sheet, which is designed to facilitate recordation of documents. The current basic fee for recording a document covering one work is \$105. An additional charge of \$30 is made for each group of 10 additional titles or fewer. In certain circumstances

WHEREAS, Kathryn Sherman (“Assignor”), an individual residing at 1010 Canyon Glen Terrace, Phoenix, AZ 22098, is the owner of all copyrights in that literary work entitled The Challenge (the “Work”) and is the author of such Work; and

WHEREAS, Blake Publishers, Inc. (“Assignee”), a corporation organized under the laws of the State of New York, located and doing business at 555 Avenue of the Americas, New York, NY 96607, desires to acquire all of Assignor’s rights in and to the Work;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby irrevocably sells, assigns, transfers, and conveys to Assignee the entire right, title, and interest in and to the Work, including any copyrights and registrations, the same to be held and enjoyed by Assignee, its successors, assigns, and other legal representatives.

Assignee shall have the right to register the copyright in the Work in its own name and shall have the exclusive rights to develop, exploit, publish, reproduce, distribute, perform, display, and prepare derivative works based thereon throughout the world.

Assignor represents and warrants that she created the Work independently, the Work is the result of her original effort, and that she is the owner of all copyrights and other rights in the Work and that no other party has any rights in or to the Work.

Assignor further assigns to Assignee all right to sue for and receive all damages accruing from past, present, and future infringements of the Work herein assigned.

This Assignment shall be binding upon the parties, their successors and/or assigns, and all others acting by, through, with, or under their direction, and all those in privity therewith.

Assignor agrees to cooperate with Assignee and take any further action and execute any documents required to effect the purposes of this Assignment.

Kathryn Sherman

Blake Publishers, Inc.

Date: _____

By: _____

Title: _____

Date: _____

EXHIBIT 12–1 Assignment of Copyright

(generally when litigation is pending or threatened), special handling may be requested and recordation will be expedited (usually within five business days) upon the payment of an additional fee and a showing of the necessity for special handling.

TERMINATION OF TRANSFERS OF COPYRIGHT RIGHTS

Introduction

In many instances, young artists, songwriters, and other creators transfer or license rights in their copyrighted works at a time when they do not truly have

an idea about the value of the works transferred. The works may be exploited by the new owners who may collect astounding amounts of money, and yet the original creators of the works may not realize any economic gain whatsoever from these early works and may not be able to exercise any control with regard to reproduction, distribution, preparation of derivative works, performance, or display of the works. To remedy this situation, Section 203 of the Copyright Act generally provides that transfers of certain copyright rights can be terminated or revoked after 35 years so that the original author (or his or her successors) can recapture his or her works and exploit them.

The Copyright Act's termination of transfer provisions are highly unusual and are contrary to general principles of contract law, which hold that once a valid contract has been entered into, it cannot be set aside (except in extreme cases, such as those involving fraud). When an individual sells a house, he or she is not allowed to cancel the sale and reclaim the house if it later appreciates. Bad decisions made on the stock market cannot be set aside. Yet transfers of copyright rights can be set aside or terminated, reflecting Congress's intent to protect artists and authors from exploitation. For example, assume that Nan Novelist authors a book in 1980 and grants the right to reproduce it to ABC Inc. later that year. The transfer of the reproduction right may be terminated beginning in 2016 and Nan (or her heirs) may then recover the right to reproduce the novel or grant the right to someone else (perhaps for more money).

There are two types of transfers of copyright rights that may be set aside: those transfers made after January 1, 1978, and those made before that date.

Grants Executed after January 1, 1978

Statutory Authority. Section 203 of the Copyright Act sets forth the procedures for terminating grants or transfers of copyright rights that occurred after the 1976 Copyright Act became effective on January 1, 1978. Section 203 refers to transfers that occur after January 1, 1978, regardless of when the work was created. Thus, termination of these grants will begin in 2014.

According to Section 203(a), in the case of any work *other than a work made for hire*, an exclusive or nonexclusive grant of a transfer or license of a copyright or of any right under a copyright, executed by an author after January 1, 1978, and other than a grant made by will, is subject to termination. Grants of copyright rights that occur by way of a will cannot be terminated, apparently because Congress

saw no exploitation of the author in such cases. The author's right to reach back in time and terminate an earlier transfer cannot be waived, and any provision attempting to waive the protections afforded by Section 203 is void.

Who May Effect Termination. In the case of grants by a single author, the author may terminate. If the author has died, his or her termination rights may be exercised by the surviving spouse and his or her children and grandchildren. These successors may terminate in the author's place if they hold more than 50 percent of the author's termination rights.

Section 203(a)(2) sets forth an elaborate scheme for determining who may exercise the termination rights of a deceased author and rights must be exercised by majority vote. In brief, the following apply:

- If a spouse survives the death of the author, and there are no children or grandchildren, the spouse owns all of the termination rights.
- If the author leaves both a spouse and surviving children or grandchildren by a deceased child, the spouse owns one-half of the termination rights and the surviving children and grandchildren share the remaining one-half.
- If there is no surviving spouse, the author's living children and any children of a deceased child own all of the termination rights.
- Each surviving child gets his or her percentage share. Children of a deceased child of the author take the share that would have gone to their parent and, in casting their votes to effect a termination, must act as a unit. A majority vote controls. Children of surviving children have no rights.
- If the author leaves no surviving spouse, children, or grandchildren, his or her executor owns the author's termination interest.

Example: Author Smith dies, leaving a widow (W), one living child (LC), and four grandchildren

(GC) by way of a deceased son. Their termination rights are as follows: *W* owns 50 percent; *LC* owns 25 percent; and the *GCs* collectively own 25 percent. To terminate an earlier transfer, more than 50 percent approval is needed. *W* must be joined either by *LC* or the *GCs* (three of whom must approve the transaction) in order to terminate.

In the case of a transfer by joint authors of a work, the earlier transfer may be canceled by a majority of the authors who made the transfer. If any of the joint authors has died, his or her termination rights are exercised according to the scheme just described.

Effecting a Termination. Generally, termination of the prior grant of rights may be effected at any time during a period of five years beginning in the 36th year after the date of execution of the grant. To effect the termination, those who own the rights of termination (or their authorized agents) must sign and serve a written notice to the grantee no less than 2 and not more than 10 years before the transfer is to be terminated. The notice must set forth the date of termination (which date must fall within the five-year period) and must describe the grant being terminated. A copy of the notice must be recorded with the Copyright Office. Upon the effective date of the termination, the rights in the work automatically revert to the author or the author's successors (including those who voted against the termination). The author (or successors) must follow this complex statutory procedure in order to effect a termination. If the author or his or her surviving family fail to take the necessary steps within the appropriate time periods, the original transfer cannot be set aside and it will continue for the remaining term of the copyright.

After the effective date of termination, the author who recovered the copyright rights (or

successors who have recovered his or her rights) may make a new grant of rights to a different party. If the author (or successors) wishes to regrant rights to the original grantee, such can be done once the notice of termination has been served. In fact, once the notice of termination is served, the grantee will often commence negotiations with the author (or successors) so the grantee can continue to exercise the rights originally granted to him or her. Typically, new fee payments are negotiated. The new grant or regrant must be signed by the same number and proportion of owners as are required to terminate the grant.

If derivative rights were granted, they may continue to be utilized even after the date of termination, but no new derivative works may be prepared.

Grants Prior to January 1, 1978

Grants or transfers of rights made by copyright authors prior to January 1, 1978, the effective date of the 1976 Copyright Act, are governed by Section 304 of the Act. Most of the rules and procedures relating to termination of transfers granted after the Copyright Act of 1976 also apply to transfers granted under the previous 1909 act. One difference, however, is that under the 1976 act, only grants made by the author of a work in his or her lifetime may be terminated. Under Section 304, grants made by the author, or certain of his or her beneficiaries or executor if the author was dead, may be recaptured. Most other rules relating to notice, recordation of the notice with the Copyright Office, effect of termination, inability to waive termination rights, and so forth remain the same.

Under Section 304, termination can be effected of rights (other than copyrights in works made for hire or those transferred by will) at any point during a five-year period that begins at the end of 56 years from the date copyright was originally secured (or beginning on January 1, 1978, whichever is later).

For a copyright in its renewal term, if a termination right had expired, under the new Sonny Bono Copyright Term Extension Act, a termination of a transfer may be effected at any time during the five years beginning at the end of 75 years from the date copyright was originally secured. Identical to rights terminated under the 1976 act, rights that have been recaptured may be granted to a new party after the termination is effective, and an agreement to regrant rights to the original transferee may be effected as soon as the notice of termination is served.

DURATION OF COPYRIGHT

Introduction

The duration of a copyright depends upon whether the copyright was created after January 1, 1978, the effective date of the 1976 Copyright Act, or before that date. Under the Copyright Act of 1909, federal copyright protection commenced upon publication of the work (or, for unpublished works, on the date of copyright registration). Prior to publication, common law copyright principles controlled. Under the 1976 act, federal copyright protection commences upon creation of the work in a fixed form, whether the work is published or not. Because works under the 1909 act may still be subject to copyright protection, it is important to understand the periods of duration for works created under both acts.

Duration under the 1909 Copyright Act

Under the 1909 act, the copyright in a work lasted for a first term of 28 years from the date it was secured. During the last year of the term, the copyright was eligible for renewal either by the author or specified heirs. If renewed, the copyright was extended for a second term of 28 years. If not renewed, the copyright expired at the end of the first 28-year term.

Thus, the maximum allowable length of copyright protection under the 1909 act was 56 years.

Duration under the 1976 Copyright Act

For works that are created and fixed in a tangible medium of expression after January 1, 1978, the Copyright Act of 1976 (17 U.S.C. § 302) does away with the burdensome renewal requirements and establishes a single copyright term. There are three basic principles for works created after January 1, 1978:

- For works created by individual authors, copyright extends for the lifetime of the author plus 70 years (this term is similar to that of many foreign countries).
- For joint works, the term lasts for 70 years after the last surviving author's death.
- For works made for hire and for anonymous works (those in which no natural person is identified as the author of the work) and pseudonymous works (those in which the author is identified by a fictitious name), the duration of copyright is 95 years from the first publication of the work or 120 years from creation, whichever is shorter (although if the anonymous or pseudonymous author discloses his or her name to the Copyright Office, the duration will convert to life plus 70 years).

Until 1998, duration of each of these copyright terms was 20 years shorter. To harmonize U.S. law with that of many foreign countries, Congress passed the Sonny Bono Copyright Term Extension Act in late 1998, which extended the duration of copyright terms as set forth herein. This legislation was subject to much debate, with critics complaining that extending the duration of copyright protection benefits only copyright owners and deprives the public of having works enter the public domain for ready dissemination at the earliest possible date. To

respond to fears by libraries and archives that the extended copyright duration would inhibit their educational functions, a provision was added to allow, during the last 20 years of any term of copyright of a published work, a library or archive to make certain uses of copyrighted materials for preservation, scholarship, or research purposes, if those works are not commercially available. 17 U.S.C. § 108(h).

A relatively recent U.S. Supreme Court case considered whether the continual extensions to the term of copyright protection (and, in particular, the additional 20-year term granted under the Sonny Bono Copyright Term Extension Act) violated the U.S. Constitution, which clearly provides that authors shall have copyright rights for “limited times.” In *Eldred v. Ashcroft*, 537 U.S. 186 (2003), the petitioners were those whose products depended on copyrighted works that have entered the public domain. Thus, they objected to an extension of the term of copyright protection an additional 20 years. The Court held that the extension of copyright terms did not exceed Congress’s power under the Constitution. The extension reflected a rational judgment of Congress in harmonizing U.S. law with that of most European countries.

Effect of 1976 Copyright Act on Preexisting Works

Any copyright already in its renewal term on October 27, 1998 (the date the new Sonny Bono Copyright Term Extension Act became effective), now has an automatic copyright term of 95 years from the date copyright was originally secured.

Works that were in existence but were not published or copyrighted on January 1, 1978 (e.g., an unpublished manuscript that had no copyright protection under the 1909 act and was governed by common law principles), are automatically given protection as if they were created after January 1, 1978 (the life-plus-70 or the 95- and 120-year terms,

as applicable), or through December 31, 2002, whichever occurs last. To encourage publication, Congress provided that if the work was published before December 31, 2002, an additional term of protection would be granted, through December 31, 2047.

In many instances, owners of copyrights that were in their first terms on January 1, 1978, did not apply to renew their copyrights and their copyrights expired after only 28 years. To avoid similar situations, in 1991 Congress amended the Copyright Act of 1976 to provide for automatic renewals for works in their first term. There is now no requirement to file a renewal application to extend the original 28-year copyright term to the full term of 95 years. Although the renewal term is automatically extended, there are, however, a number of incentives that encourage the filing of a renewal application (using Copyright Office Form RE), especially during the 28th year of the copyright term (e.g., the Copyright Office will issue a renewal certificate that constitutes *prima facie* evidence of the validity of the facts stated in the renewal certificate and the copyright in the extended term).

(See Exhibit 12–2 for a chart illustrating duration of copyright.)

Calculating Dates for Copyright Duration

The Act provides that all terms of copyright will run through the end of the calendar year in which they expire. For example, if an author of a work created in June 1980 died in June 1990, protection would extend through December 31, 2060.

Restoration of Lost Copyrights

Neither the 1976 act nor any amendments provide for revival or restoration of lost copyrights in works of U.S. origin. If a U.S. work fell into the public domain because its author failed to renew

Date of Work	Duration of Copyright
Works created on or after 1/1/1978	Author's life plus 70 years (or if a joint work, 70 years after last survivor's death); if work is "work made for hire" (or anonymous or pseudonymous work), copyright lasts for 95 years from publication or 120 years from creation, whichever is shorter
Works created before 1/1/1978, but not published or registered	Author's life plus 70 years or until 12/31/2002, whichever is longer (but if work is published before 12/31/2002, copyright extended until 12/31/2047)
Copyright secured under 1909 act and in first or renewal term on 1/1/1978	Term automatically extended to give a total length of copyright of 95 years from the year copyright secured
Works published before 1923	Work is now in the public domain

EXHIBIT 12-2 Copyright Duration

the work under the 1909 act, it is not restored by any statutory provision. However, copyright in *foreign* works whose U.S. copyright protection had been lost because of noncompliance with formalities of U.S. law were restored as of January 1,

1996, under the provisions of the Uruguay Round Agreements Act. Additional information on these restored foreign copyrights can be found in Copyright Office Circular 38b, available at <http://www.copyright.gov>.

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- In 2009, the Copyright Office received 532,000 claims of copyright and recorded nearly 12,000 documents.
- Congress has granted 11 copyright-term extensions over the past 40 years.
- F. Scott Fitzgerald's works entered the public domain on January 1, 2011.
- The Copyright Office employs approximately 470 staff. Its fiscal year 2009 budget was more than \$50 million, more than half of which was funded by fees charged by the Copyright Office.

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CHAPTER SUMMARY

Determining ownership of a copyright is critical because a wide variety of rights flow from copyright ownership, including rights to reproduce, adapt, distribute, perform, and display the work. Moreover, the duration of copyright depends upon

its ownership. When two or more people create a work with the intent that their separate contributions be merged into the completed work, the work is a joint work, and the authors each have rights to distribute, perform, reproduce, or display the work. A derivative work is one based upon an underlying work. The author of the underlying work has exclusive rights in his or her work, and the author of the derivative work has rights in his or her newly created work that exist independently from any rights in the original work.

Although the general rule is that the person who creates a work is the author of that work, there is an exception to that rule: The copyright law defines a category of works called “works made for hire.” If a work is one “made for hire,” either the employer or commissioner of the work is the author for copyright purposes and possesses the exclusive rights of a copyright owner. A work made for hire is one prepared by an employee in the scope of employment or one of nine specially enumerated types of commissioned works that the parties have agreed in writing will be a work made for hire.

Because copyrights are property, they may be transferred. Moreover, the rights of a copyright owner (including rights to reproduce, adapt, distribute, perform, and display the work) are divisible, meaning that the author may transfer some rights and retain others. Transfers of exclusive rights must be in writing. Transfers of copyright rights can be terminated or “undone” either by the author or certain of his or her heirs during a statutorily defined period generally beginning the 36th year after the transfer. This unusual provision in copyright law is intended to protect authors who transfer rights before they fully understand the value of their works.

Copyrights created after the 1976 act last for the author’s life plus 70 years or 70 years from the last survivor’s death, in the case of joint works. For works made for hire and anonymous and pseudonymous works, the duration of copyright is 95 years from first publication of the work or 120 years from its creation, whichever first occurs.

CASE ILLUSTRATION

INDEPENDENT CONTRACTORS

Case: *Aymes v. Bonelli*, 980 F.2d 857 (2d Cir. 1992)

Facts: Aymes was hired by Bonelli’s company, Island, to work as a computer programmer, and he created various computer programs for the company. The parties had no written agreement. When Aymes left the company, he sued for infringement, alleging that he owned the

copyrights in the computer programs. The district court held he was an employee and thus Island owned the copyrights.

Holding: The court of appeals reversed. Although there are several factors that weighed toward a finding that Aymes was an employee (primarily that Island controlled his work and the parties had a long-term relationship), the appellate court found it most significant that Island did not provide Aymes with any benefits and did not pay his payroll taxes. The court held that the hiring party should not be able in one context to claim that the hired party is an independent contractor and benefit from not paying the hired party's taxes and later deny that status to avoid an infringement suit. The court noted that all cases since *Community for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989), had found the hired party to be an independent contractor when the hiring party failed to extend benefits or pay taxes. Thus, Aymes was an independent contractor who owned the copyrights.

CASE STUDY AND ACTIVITIES

Case Study: Holiday hired an independent contractor to create a movie explaining its ships' safety features. The parties had no written agreement. Holiday also instructed its musical director (who has been employed with Holiday for four years) to compose an instrumental musical piece that could be played at the end of its musical shows.

Activities: What are the various parties' rights in the movie and the song? Discuss ownership rights and the duration of the copyrights for these works.

ROLE OF PARALEGAL

There are numerous tasks for paralegals to be involved in relating to ownership, transfer, and duration of copyrights. Commonly performed tasks are as follows:

- Conducting legal research to determine whether a work is a joint work, derivative work, or collective work;
- Drafting agreements between or among joint authors in regard to divisions of royalties and other rights;
- Investigating circumstances of employment to determine whether an individual is an employee or an independent contractor;
- Drafting provisions for employment agreements relating to ownership of works created by employees;
- Drafting agreements relating to specially commissioned works confirming the works are "made for hire," and providing that if they are later determined not to be works made for hire, the creator thereby automatically assigns all rights to the commissioning party;
- Drafting agreements transferring or assigning copyright rights to others;
- Drafting agreements subjecting copyrights to security interests;
- Recording transfers of copyright ownership with the Copyright Office;
- Docketing transfers of copyright so dates for termination of transfers can be tracked;

- Drafting notices for termination of transfers of copyright and recording notices with the Copyright Office; and
- Docketing dates for duration of copyright so owners can be informed that copyright protection will terminate.

INTERNET RESOURCES

Federal laws relating to copyright:	http://www.law.cornell.edu http://www.gpo.gov/fdsys
Copyright Office:	http://www.copyright.gov (for forms, circulars, and information on copyright ownership, works made for hire, transfers, termination of transfers, and duration)
Copyright Term Calculator:	http://www.publicdomainsherpa.com (allows easy calculation of when works will fall into the public domain)
Copyright Term Chart:	http://copyright.cornell.edu/resources/publicdomain.cfm
General information:	http://www.megalaw.com
Forms:	http://www.lectlaw.com http://www.allaboutforms.com (forms for assignments, employment agreements, and independent contractor agreements)

DISCUSSION QUESTIONS

1. Ray arranged and paid for a recording session at a music studio for Tim, a noted musician, who composed and recorded a song at the studio. Is Ray a joint author of the song? Discuss.
2. Tina had an idea for a book about planning and organizing family reunions, which her cousin Amy wrote. Are the parties joint authors? Discuss.
3. On September 2, 1987, Billie sold the rights in her copyrighted song to Lilah. What is the earliest date that Billie may revoke or terminate the transfer? Give a specific date.
4. In 1980, two years before he died, Steve sold to Peter all of Steve's rights in a song he composed. What rights, if any, might Steve's widow and two living children have to later recapture the copyright in this song? If the children do not wish to recapture any rights, what will happen?
5. Allan, an artist, was hired on a temporary basis by ABC to create posters for ABC's twentieth anniversary celebration. Allan created the posters at his home studio and although ABC told Allan to create posters celebrating its five U.S. offices, Allan was free to decide what the posters would look like. ABC paid Allan \$20,000 for this work and made no deductions from this amount. The parties had no agreement as to ownership of the work. Who is the owner of the copyright in the posters? Discuss.

6. In 2011, Cynthia was instructed by her employer of five years to create a handbook of company policies and procedures pursuant to an outline of those policies given to her. Cynthia was given a bonus of \$250 at the completion of the work (in addition to her regular post-tax salary). Who is the owner of the copyright in the work? Discuss.
7. Give the term of copyright for the works described in questions 6 and 7.
8. Sam, Joe, and Mike collaborated on a nonfiction book about the Civil War, although Mike did quite a bit more work than the others. The three parties had no agreement about their work. Joe has granted a film company the right to make a movie based on the book. Is this proper, and how will profits of \$1 million be divided? Discuss.
9. Calculate the duration of copyright for the following:
 - a. A book written by Robert in 2005
 - b. An audiovisual work created in 2010 consisting of slide photographs by Julio and accompanying narrative explanations by Ned
 - c. A song composed in 2000 by Tanya, who died on June 14, 2008

USING INTERNET RESOURCES

1. Access the website of the Copyright Office.
 - a. Review Circular 15 (Renewal of Copyright). What are the benefits of renewing a copyright registration in its 28th year?
 - b. What is the current fee to renew a copyright?
 - c. Review Circular 15a (Duration of Copyright). What is the status of a work published before January 1, 1923 (and protected by January 1, 1978)?
2. Use the Copyright Term Calculator at <http://www.publicdomainsherpa.com> and determine when the following works enter the public domain:
 - a. A book whose author died in 2005 (assuming the work was not one made for hire)
 - b. A made-for-hire work created in 1990



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.

Copyright Registration, Searching Copyright Office Records, and Notice of Copyright



CHAPTER OVERVIEW

In the United States, copyright protection exists from the time a work is created. Thus, applying for and securing a copyright registration is not a condition of copyright protection. Nevertheless, copyright registration provides several benefits, such as establishing a public record of the claim of copyright, allowing a claim of infringement to be brought in federal court, and making available statutory damages and attorneys' fees if a registered work is infringed. The Copyright Office provides all forms necessary for registration, and the process typically takes about 12 weeks (for electronically filed applications). The Copyright Office website allows searching of records, and its information specialists will help conduct searches of records for a fee. Although notice of copyright is optional since March 1, 1989, use of a notice is recommended. A copyright notice consists of the symbol © (or the word "Copyright" or the abbreviation "Copr."), the year of first publication of the work, and the name of the copyright owner.

INTRODUCTION

As discussed in Chapter 9, neither publication of a work nor registration or other action in the U.S. Copyright Office is required to secure copyright protection under federal law. Copyright is secured automatically when the work is created. A work is “created” when it is fixed in a copy or phonorecord for the first time. Although not required to provide copyright protection for a work, registration of copyright with the Copyright Office is inexpensive, easy, and provides several advantages, chiefly, that registration is a condition precedent for bringing an infringement suit for works of U.S. origin. The relative ease with which works may be registered is chiefly due to the fact that there is no substantive examination of applications for registration of copyrights (as there is for trademarks and patents). To register a work, the applicant must send the following three elements to the Copyright Office: a properly completed application form, a filing fee, and a deposit of the work being registered. Registration may be made at any time within the life of the copyright.

THE APPLICATION FOR COPYRIGHT REGISTRATION

Parties Who May File Applications

The following persons are entitled to submit an application for registration of copyright:

- The author (either the person who actually created the work or, if the work is one made for hire, the employer or commissioning party)
- The copyright claimant (either the author or a person or organization that has obtained ownership of all of the rights under the copyright originally belonging to the author, such as a transferee)
- The owner of exclusive rights, such as the transferee of any of the exclusive rights of copyright ownership (e.g., one who prepares a movie based on an earlier book may file an application for the newly created derivative work, the movie)
- The duly authorized agent of the author, claimant, or owner of exclusive rights (such as an attorney, trustee, or anyone authorized to act on behalf of such parties)

Application Methods

There are three different methods to register a copyright:

- **Online Registration.** Online registration through the electronic Copyright Office (eCO), fully available since 2008, is the preferred way to register basic claims for most copyright works, including literary works, visual arts works, performing arts works (including motion pictures), and sound recordings. The advantages of online filing include the following: lower filing fees (which are intended to encourage online filing), fastest processing time, the ability to track the status of the application online, and the ability to upload certain deposits directly into eCO as electronic files (eliminating the need to send a physical deposit to the Copyright Office). One must register with eCO to use the online registration system. A user name and password are selected and eCO filers use this identifying information to monitor the status of their applications and file other applications and records with the Copyright Office.
- **Fill-In Form Registration.** If one does not use eCO to apply for copyright registration, the Copyright Office recommends using its fill-in form CO. This form can be used to register the same works as can be registered online using eCO. One completes the CO form online by typing the required information into the form, printing it out (ensuring that all barcodes are

shown on the printed pages), and then signing the application and mailing it to the Copyright Office with the appropriate filing fee and deposit.

- **Registration with Paper Forms.** Using paper application forms to register a copyright is still acceptable. The forms are still available on the Copyright Office website. One may also obtain the forms by mail, upon request, or by calling the Copyright Office (202/707-9100) and leaving a recorded message. These forms can be used to register the same works as can be registered online using eCO (although certain applications, such as those to renew a copyright, *must* be filed using paper forms).

In 2008 and 2009, the Copyright Office experienced a backlog of paper claims that accumulated as it transitioned more fully to its electronic services. As of the time of the writing of this text, the average processing time for e-filing was 3 months while the average processing time when using the fill-in form CO or a paper form was 10 months. By the end of 2009, almost 60 percent of all applications received each week were filed through eCO.

Preparing the Application Form. Although there are three different methods of applying for registration, the information required of an applicant is nearly identical whether one files electronically (using eCO), one uses the fill-in form, or one uses a paper application form. Generally, there are several sections or “fields” that must be completed. In order to obtain the information needed for the copyright application, many law firms ask clients to complete copyright questionnaires so information will be complete and accurate (see Exhibit 13–1 for a sample questionnaire).

As one prepares an application using eCO, various links and prompts are provided. For example, if one is unsure whether one’s work is published, the system provides a link to an explanation of the term “published.” Similarly, the system shows applicants what

they have completed and what parts of the application are incomplete. Following is a list of the information required when one files an application using eCO:

Screen 1: Type of Work. The first screen presented after log-in to eCO asks the applicant to select the type of work being registered. For example, one may select “literary work,” “motion picture,” “sound recording,” and so forth.

Screen 2: Title. The work must be given a title (or the applicant may state that it is “untitled”). If the copies or phonorecords of the work bear a title or any identifying phrase that could serve as a title, this wording should be used in its exact and complete form. Indexing of the registration and future identification of the work depend on its title.

Screen 3: Publication/Completion. Screen 3 of the eCO application requires an identification of the year in which creation of the work was completed. Under the Copyright Act, a work is “created” when it is fixed in a tangible form for the first time. Generally, when a work is prepared over a period of time, as is the case with a novel, the date of creation is the date of completion of the finished project.

If the work has been published, screen 3 requires that the month, day, and year of the first publication be provided together with an identification of the country in which publication first occurred. “Publication” of a work is the distribution of copies or phonorecords of a work to the public by sale, transfer of ownership, or by rental, sale, or leasing. A work is also published if there has been an offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display. Thus, a novel is published when it has been offered to bookstores for further sale to the public.

Screen 4: Author(s). A variety of information must be given about the author(s) of the work. The fullest

The following questions are intended to help determine whether a work is entitled to copyright registration and the particular language to be used in applying for registration. Complete the questions to the best of your knowledge. If you do not know the answer to a question, indicate such and we can address outstanding issues together.

1. Describe your work. Is it a book? A short story? A song? A painting?
2. What is the title of your work?
3. Has the work had any previous or alternative titles? If so, list the titles.
4. Is the work part of a contribution to a periodical, such as a magazine or other serial? Has it been published in the magazine or is it scheduled to be published?
5. Who created the work? Give full name(s). Did anyone else participate in creating the work as a joint effort? If so, identify all joint authors. What part did each author play in the creation of the work? For example, one author may create text and another illustrations for a book, or one author may compose a melody and another the lyrics for a song.
6. Did you create the work in the scope of your employment as an employee of another?
7. Are you an employer whose employee created the work in the scope of employment? Was the creator of the work your employee or was the creator acting as an independent contractor for you?
8. Was the work created as a result of a special order or commission? If so, describe.
9. Give the date(s) of birth, and if applicable, date(s) of death of the author(s) of the work. What is the nationality or domicile of the author(s)?
10. Will the author be identified on the work or is the author anonymous? Is the author known by a pseudonym or fictitious name?
11. In what year was the work created (what year was it fixed in a tangible form)?
12. Has the work been published? ("Publication" refers to distribution of the work to the public by sale, transfer, sale, lease, or lending, or an offering to distribute it to a group of persons for purposes of further distribution, public performance, or display.) If the work has been published, give the exact date and nation in which it was first published.
13. Who is the owner of the copyright in the work? Has it been transferred by its author to anyone?
14. Have any licenses been granted to others to use the work, reproduce it, distribute it, or perform it? If so, are these licenses exclusive or nonexclusive? Were the licenses in writing?
15. Has registration for this work or an earlier version of this work already been sought in the Copyright Office? If so, please provide a copy of the earlier registration and describe how this version of the work differs from the earlier version.
16. Does the work include contributions by others, such as photographs or text by others? Does the work include any material owned by the U.S. government?
17. Is this work based upon another work? For example, is this work a translation of another work? Is it based upon another work such as a book, song, movie, or play? Is it a condensation or abridgment of another work? Does it consist of revisions or editorial modifications? Describe.
18. If the work contains both original and preexisting material, identify and describe the new material.
19. Identify any oral or written agreements relating in any way to the work.

Give the full name, address, and telephone number of the individual completing this questionnaire.

EXHIBIT 13-1 Copyright Questionnaire

form of the author's name should be given, unless the work is a work made for hire, in which case the name of the employer or commissioning party should be given as author. If there is more than one author (such as may be the case in a joint work consisting of a book and its accompanying illustrations), all should be identified.

The application must indicate if the author's contribution is anonymous or pseudonymous. An author's contribution to a work is **anonymous** if a natural person is not identified on the copies or phonorecords of the work. An author's work is **pseudonymous** if the author is identified under a fictitious name, such as the books written by Stephen King under the pseudonym Richard Bachman.

If the author is dead, the application requires that the date of death be given (because copyright protection for most works lasts for life plus 70 years, the author's date of death determines copyright duration). The author's birth date is requested, although it is not required. If the work is one made for hire, the date of birth space should be left blank. The author's citizenship and domicile must be given in all cases.

Screen 5: Claimant(s). The names and addresses of the copyright claimant(s) of the work must be given. The copyright claimant is either the author of the work or a person or organization to whom the copyright has been transferred. For example, if Beverly Young is the author of a novel who has sold all rights to the novel to ABC Inc., Beverly Young would be the author and ABC Inc. would be identified as the claimant. If the claimant is not the author, a drop-down menu allows the applicant to indicate how the claimant obtained ownership by selecting "by written agreement" or "by inheritance."

Screen 6: Limitation of Claim. This screen allows the applicant to limit his or her claim if the work sought to be registered contains or is based on previously registered material, material in the public

domain, or material not owned by the claimant. The purpose is to exclude such material from the claim and identify the new material. Thus, the applicant may select to exclude photographs from a book because they were included in another book registered previously. Similarly, many works transmitted online, such as websites, are revised frequently. Generally, copyrightable revisions to online works that are published on separate days must each be registered individually. The registration of a revised version covers only the new material added.

Screen 7: Rights and Permissions Information.

The applicant may provide information as to who should be contacted if a third party wishes to obtain permission to use the work.

Screen 8: Correspondent. The applicant must identify a person for the Copyright Office to contact if there are questions about the application.

Screen 9: Mailing of Certificate Information.

The applicant must provide a name and address where the copyright registration certificate should be mailed.

Screen 10: Expedited or Special Handling. If the applicant wishes special handling of the application, this section should be completed.

Screen 11: Certification. The application must be certified by the author or other copyright claimant or by the owner of exclusive rights or the duly authorized agent of such. The certification verifies to the Copyright Office that the information provided in the application is correct to the best of the applicant's knowledge and reminds the applicant that making a false representation of a material fact can subject the signatory to a fine up to \$2,500.

Before one submits the application, one may review it and edit it, if necessary.

(See Appendix D, Form 13, for Form CO for a copyright application.)

Filing Fee

The Copyright Office is authorized by 17 U.S.C. § 708 to charge fees. Effective August 1, 2009, the nonrefundable fee for filing an application using eCO is \$35, the filing fee for using the fill-in CO form is \$50, and the filing fee for filing a paper application is \$65. Check the Copyright Office website or call (202) 707-3000 for the latest fee information. If the application is submitted online, payment may be made by credit or debit card, by using Pay.gov (the secure Web-based application operated by the U.S. Treasury), by electronic funds transfer, or by using a deposit account. Credit cards are not accepted for applications sent by mail although checks may be used. Cash is not accepted.

Individuals and law firms that engage in numerous transactions throughout the year typically establish a deposit account with the Copyright Office (much the same way that one may establish a deposit account with the USPTO). One must make a minimum deposit of \$450 and maintain that amount as a minimum balance against which fees will be charged.

DEPOSIT MATERIALS

Introduction

Section 407 of the Copyright Act requires that the owner of copyright or of the exclusive right of publication in a work published in the United States deposit, within three months after publication, two complete copies of the best edition of the work. Deposits are to be made into the Library of Congress so that it can continue its tradition of cataloguing and collecting works published in the United States by ensuring that it receives copies of every

copyrightable work published in the United States. The Copyright Act presumes that individuals will make the deposit voluntarily.

Although this deposit requirement can be fulfilled through application for copyright registration (because deposit materials are required to be submitted with the application), the requirement is mandatory whether or not an application is ever filed (although certain works, including greeting cards, postcards, stationery, speeches, technical drawings, works published and available only online, and advertising materials, are exempt). Failure to deposit the materials does not cause a loss of copyright protection, but it may subject a party to a fine (presently, \$250) if the Copyright Office requests the deposit and the copyright owner fails to supply the materials within three months. The deposit requirements in the United States are similar to those in other countries.

Deposit Materials Accompanying Copyright Applications

An application for a copyright registration must be accompanied by a nonreturnable deposit of the work being registered. Although the deposit requirements vary in particular situations, the general requirements are as follows:

- If the work is unpublished, one complete copy or phonorecord
- If the work is published, two complete copies or phonorecords of the best edition

One of the advantages of filing a copyright application electronically is that eCO filers can submit certain categories of works as electronic files, uploading the deposit directly into eCO. For example, one may upload a digital file of a sound recording, and source code may also be uploaded electronically. The eCO system will prompt you whether you intend to submit an electronic or a hard-copy deposit

and will provide instructions accordingly. Hard copy deposits are required for most published works. In such a case, you will print out a shipping slip, attach it to your deposit material, and mail the deposit to the Copyright Office. The shipping slip is unique to your claim and will link your deposit to your specific application.

Although two deposit copies are required for most published works, for some works (including motion pictures and contributions to collective works), only one copy is required. Copyright Office circulars fully explain the deposit requirements for each type of work that may be registered with the Office.

The “Best Edition” Requirement

The Copyright Act requires that copies or phonorecords deposited be of the **best edition** of the work. The “best edition” requirement is intended to discourage inferior deposit materials and encourage deposit materials of high quality. Generally, the best edition is one that is larger rather than smaller; in color rather than black and white; and printed on archival-quality rather than less permanent paper. For example, for books, hardcover rather than softcover copies are the best edition, and sewn rather than glue-only binding is preferred; for photographs, unmounted rather than mounted photographs are the best edition; for phonorecords, compact digital discs rather than vinyl discs are the best edition; for motion pictures, films rather than videotape formats are the best edition. Copyright Office Circular 7b fully describes the best edition requirements.

If the depositor cannot deposit the best edition, a request for special relief may be made, stating why the applicant cannot send the required deposit (generally, because of cost or undue burden) and what the applicant wishes to submit in place of the required deposit.

Deposit Requirements for Specific Works

Following are the deposit requirements for some specific works:

- **Visual arts materials.** Because it would be impracticable or impossible to submit large paintings, sculptures, toys, jewelry, and other three-dimensional works, photographs are generally acceptable for most works of visual arts. For fabrics and wall coverings, swatches showing the design repeat are acceptable. For games, a complete copy of the game must be submitted unless it is large, in which case a photograph is permissible.
- **Literary works.** Copies of the text, book, advertising copy, and so forth must be submitted.
- **Performing arts works.** For plays, cinema, radio, and television scripts, the scripts themselves should be deposited. For pantomimes and choreographic works, a film or video recording showing the work is permissible, or the works may be described in written text.
- **Musical compositions.** For vocal and instrumental music, generally the sheet music or full score must be submitted. Most musical compositions, however, are in phonorecord form, and thus a CD is submitted as the best edition.
- **Architectural works.** The required deposit for an architectural work, whether or not the building has been constructed, is one complete copy of an architectural drawing or blueprint. If the building has been constructed, the deposit must also include photographs showing the work (preferably 8-by-10-inch photos showing interior and exterior views).
- **Motion pictures.** For motion pictures, one copy of the work as first published is required (one of the first prints or tapes made from the master, clear, undamaged, and unspliced). Additionally,

a separate description of the work is required, such as a script or summary.

- **Sound recordings.** The deposit for sound recordings is two complete phonorecords of the best edition plus any text or pictorial matter published with the phonorecord (compact discs, albums, or cassettes). Examples of the textual material include all phonorecord packaging, record sleeves, and separate leaflets or booklets enclosed with the phonorecords.
- **Computer programs.** Generally, the first and last 25 pages of source code must be submitted as the deposit for computer programs; however, as discussed in Copyright Office Circular 61 and in Chapter 15, the Copyright Office permits authors to “block out” portions of the source code if it constitutes a trade secret.

The Copyright Office now recommends that the following deposit materials be sent in boxes rather than envelopes: CDs, DVDs, photographs, and microforms. When boxed, these materials are more likely to survive new security measures, including irradiation.

THE APPLICATION PROCESS AND REGISTRATION OF COPYRIGHT

Filing the Application

After the best application method has been selected and the appropriate form completed and the correct deposit materials have been identified, the application may be filed with the U.S. Copyright Office. For electronic filers, when payment is complete a “Payment Successful” screen will be shown, and an e-mail verification will be sent to the applicant to confirm the filing of the application. Moreover, each eCO application is assigned a Case Number, which can be used to track the status of the application.

Paper or fill-in form applications may be sent by regular or express mail, with specific types of works being sent to unique zip code extensions.

Despite the apparent complexity of the various filing methods and deposit requirements, for those with familiarity with copyright law and procedure, completing the application form often takes 30 minutes or less.

Although not required, it is a good idea to send a cover letter accompanying an application sent by mail. The cover letter can confirm the contents of the package and provide a name and phone number of a person to contact in the event the Copyright Office has questions. Many applicants also include a “come-back” card, a self-addressed and stamped postcard so the Copyright Office can confirm the filing of the application because the Copyright Office itself does not issue any acknowledgment that a paper application has been received.

Examination of the Application and Copyright Registration

The Copyright Office will assign the application to a specialist; however, the examination of the application is not substantive, as is the case with trademark and patent applications. Generally, a copyright application is examined only to ensure that the material in which copyright is claimed is copyrightable (e.g., a copyright claim in facts, a recipe, or a blank form will be refused) and that the material deposited complies with statutory requirements. The examiner will review the application to ensure all information is complete and compare the application and deposit for consistency.

It is nearly impossible to determine the status of a paper application that has been filed. The Copyright Office Records, Research, and Certification Section (202/707-6787) may have information, but such information is typically provided only upon payment of applicable fees. Due to the volume of applications filed each year (more than 500,000), the

Copyright Office does not provide free information about the status of an application.

Because eCO filers will have a case number assigned to their application, they may easily track the status of the applications online.

At the time of the writing of this text, average processing time for electronically filed applications was approximately three months, and the average processing time for the fill-in and paper applications was approximately 10 months.

After examination, the Copyright Office will either issue a certificate of registration or contact the applicant by letter or phone asking for additional information or explaining why the application has been rejected. If the Copyright Office has questions, the applicant usually has 120 days to respond. Failure to respond within the time required generally results in closing of the file without further notification. If registration is later desired, a new application, deposit, and fee must be submitted.

If the application is acceptable, the Copyright Office will register the copyright by issuing a registration. A copyright registration is effective on the date the Copyright Office receives a complete application package in acceptable form, regardless of how long it may take to process the application. In general, Copyright Office policy is to resolve questionable cases in favor of the applicant under its **rule of doubt**, meaning that although the Copyright Office has doubts about copyrightability, it will resolve doubts in favor of the applicant and allow a court to make a final determination in the future if questions arise regarding copyrightability.

Because Copyright Office records are a matter of public record, once a copyright is registered or a document is recorded, other third parties may view it and access it, and the records may then appear on Internet search engines such as Google, complete with the name, address, and telephone number of the copyright claimant, causing a loss of privacy to the copyright claimant.

Refusal of Registration

If registration is refused by the Copyright Office, reconsideration can be requested. The applicant “appeals” the adverse decision by making a written request for reconsideration and paying the fee of \$250 within three months after refusal. A response in writing will be made by the examining division. A second request for reconsideration may be directed to the Copyright Office Board of Review upon payment of an additional fee of \$500. If registration is still refused, the applicant may seek judicial review in the U.S. District Court for the District of Columbia.

Because copyright registration is a prerequisite for an infringement suit for works originating in the United States, refusal of registration would put a party who believes his or her work has been infringed in the untenable situation of being unable to initiate action in federal court for infringement. Thus, if registration has been applied for and refused, the applicant may still file an infringement action but must provide notice of the action and a copy of the complaint to the Register of Copyrights. The Register may become a party to the court action but only with regard to registrability of the work.

The Copyright Office can cancel a registration if it is determined that a work is not copyrightable or the check for the filing fee is returned for insufficient funds. Prior to cancellation, the Copyright Office will provide notice to the registrant so the registrant has an opportunity to respond to the cancellation procedure.

Special Handling

In some instances, applicants may not be able to wait 3 to 10 months to receive notification that a copyright has been registered. For example, before a copyright infringement suit may be filed in court, registration is necessary for works of U.S. origin.

Thus, a party who wishes to commence an infringement action upon short notice must have assurance that a copyright has been registered. To expedite the processing of applications for registration (or the recordation of documents relating to copyrights), the Copyright Office has established **special handling** procedures.

Special handling is granted only in special circumstances. These are:

- Pending or prospective litigation
- Customs matters
- Contract or publishing deadlines that necessitate the expedited process

Special handling is typically requested by a letter stating the reasons why special handling is needed. The request must also include a signed statement certifying that the information contained in the request is correct to the best of the requestor's knowledge. Once a request for special handling is approved, every effort is made by the Copyright Office to process the application or request for recordation within five working days. The present fee for a special handling request for an application is \$760 (plus the usual application filing fee) or, for expedited recording of documents, \$480 (plus the usual fee for recording documents).

Supplementary Copyright Registration

If information in a registration is incorrect or incomplete, an application may be filed for **supplementary copyright registration** to correct the error or amplify the information given. Supplementary registration can be made only if a basic copyright registration for the same work has already been issued. Paper Form CA must be used, and the filing fee is \$100. No deposit materials should be included.

Supplementary registration is not necessary for minor typographical errors or omission of articles,

such as the word *the*. Some of the more common reasons a supplementary copyright registration is requested are the following:

- The original application identified an incorrect author
- The work was registered as published when publication had not yet taken place
- A coauthor was omitted
- A change in the name or title of the work has occurred (e.g., a book or movie title has been changed)

If the supplementary registration is issued, there will be two registrations on file with the Copyright Office. The original registration will not be expunged or canceled, but the supplementary registration will direct the public's attention to an error or omission in the basic registration and will place the correct facts or additional information on official record.

Benefits of Securing Registration

Because copyright protection exists from the time a work is created, securing a registration from the Copyright Office is not necessary to protect copyright material. Nevertheless, federal copyright law provides several inducements to encourage copyright owners to secure registration. Among these advantages are the following:

- Registration establishes a public record of the claim of copyright.
- Before an infringement suit may be filed in courts, registration is necessary for works of U.S. origin (except for a suit alleging a violation of the right of attribution or integrity under the Visual Artists Rights Act) and for foreign works not originating in a Berne Union country.
- If made before or within five years of publication, registration constitutes *prima facie*

ETHICS
EDGESTAYING
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A legal professional's duty of competency requires that he or she be sufficiently familiar with Copyright Office procedures that the client's work can be performed as efficiently and economically as possible. Periodically visit the Copyright Office website; understand that filing electronically using eCO saves the client time and money. Understand when special handling is necessary and how to obtain deposit materials.

evidence of the validity of the copyright and of the facts stated in the certificate.

- If registration is made within three months after publication or prior to an infringement of the work, statutory damages and attorneys' fees will be available to the copyright owner in court actions. Otherwise, only an award of actual damages and lost profits is available to the copyright owner.
- Registration allows the owner of the copyright to record the registration with the U.S. Customs and Border Protection for protection against the importation of infringing copies.

Preregistration

A new procedure in the Copyright Office (pursuant to the 2005 Family Entertainment and Copyright Act, 17 U.S.C. § 408(f)) allows **preregistration** for certain classes of works that have a history of prerelease infringement. Preregistration allows a copyright owner to sue for infringement while a work is still being prepared for commercial release, often to obtain injunctive relief to stop threatened or actual infringement. To qualify for preregistration, the work must be unpublished, it must be in the process of being prepared for commercial distribution, and it must be a certain type of work (namely, a motion picture, sound recording, musical composition, literary work, computer programs including video games, or advertising

or marketing photographs). Preregistration is not a substitute for regular registration but is simply an indication of an intent to register a work once it is completed or published. If a work has been preregistered, the copyright owner must register the work within one month after the owner becomes aware of infringement and no later than three months after first publication in order to preserve the right to sue for infringement in federal court.

To preregister, the copyright owner must apply online (no paper application form is available). Only an application and fee are required. No deposit is required; however, a more detailed description of the work is required. For example, for a movie, the applicant should describe its subject matter, provide a summary of the plot, identify the director and principal actors, and so forth. In fiscal year 2009, the Copyright Office issued more than 1,000 preregistrations.

SEARCHING COPYRIGHT OFFICE RECORDS

It may become necessary to determine whether copyright for a work has been registered or what copyrights are registered to a company or individual. For example, if a company is selling all of its assets to another, the buyer will typically conduct **due diligence** and review records of the USPTO and the Copyright Office to determine what patents, trademarks, and

copyrights are registered in the seller's name so these can then be transferred to the buyer.

Conducting searches prior to applying for copyright registration is not nearly as critical as conducting searches prior to applying for trademark or patent protection. Because copyright protection exists once a work is created and independent creation is permissible, the fact that another party has a copyright registration for a work will not preclude registration for another similar or identical work (as long as the works do not copy from each other). Moreover, although titles are not copyrightable, an author may wish to select a unique title for a book or movie, and a search would reveal similar or identical titles, which might confuse consumers.

There are a variety of ways to search Copyright Office records:

- Copyright Office records and registrations since 1978 are available for searching online at <http://www.copyright.gov/records>. Searching may be done by title of the document, author name, keyword, or registration or document number. The Copyright Office website offers tutorials on searching techniques and links to online help. This method of searching records since 1978 is the easiest and most efficient way of conducting searches.
- The records of the Copyright Office are open for inspection and searching by the public. The Copyright Office, however, cannot give legal advice, answer questions on possible infringement, recommend publishers, or enforce contracts. The records freely available to the public at the Copyright Office itself consist of an extensive card catalog (for registrations from 1870 through 1978) that provides an index to more than 70 million registered copyrights and other records. Searching can be done by the title of the work, author(s), claimant(s), date of publication, or registration number.
- The Library of Congress card catalog can be searched; however, only a portion of the works

deposited for copyright are selected for inclusion in the Library's collections, and the Library does not always fully catalog those works it selects. Some searching of Library of Congress records can be done through the Library's website at <http://www.loc.gov>.

- The Copyright Office itself will conduct searches for \$165 per hour. The Records, Research, and Certification Section of the Copyright Office will conduct a search and provide a factual report on the results of the search. Searches can be initiated by writing to this section or by calling (202) 707-6850. The Copyright Office will estimate the total search fee (for a fee of \$115) and initiate the search upon receiving the fee. Upon payment of additional fees, the search can be expedited. A search request form is provided in Copyright Office Circular 22.
- Private companies can conduct searches. Just as companies will search USPTO records and provide reports of trademarks, they will conduct searches of Copyright Office records, file applications and other documents, and provide copies of documents. Contact Thomson CompuMark, 500 Victory Road, North Quincy, MA 02171 (800/692-8833, <http://compumark.thomson.com>) or CT Corsearch, 345 Hudson Street, New York, NY 10014 (800/732-7241, <http://www.ctcorsearch.com>).

OBTAINING COPYRIGHT OFFICE RECORDS AND DEPOSIT MATERIALS

Upon request, the Records, Research, and Certification Section of the Copyright Office will prepare certified or uncertified copies of certain public records. Applications, registrations, assignments, licenses, and other documents pertaining to copyrights can be obtained. Generally, these records can be obtained for minimum fees (e.g., \$35 for an additional

copy of a certificate of registration). Certified copies are usually requested as evidence of the authenticity of a document when litigation involving the copyright is involved. Upon payment of additional fees, expedited service is possible.

Obtaining copies of deposit materials is considerably more difficult than obtaining copies of records. Moreover, not all deposits are retained. The Copyright Office policy is to retain deposits for published and registered works for five years (10 years for works of visual arts). Unpublished deposits are generally kept for the full copyright term. Registrants who wish to ensure the Copyright Office retains their published deposits for the duration of a copyright term must pay a fee of \$470 to cover storage costs.

Assuming the material is available, the Copyright Office will provide certified or uncertified copies of the actual works deposited with the Copyright Office only when one of the following three conditions has been met:

1. Written authorization is received from the copyright claimant of record or his or her agent (or the owner of any of the exclusive rights upon written documentation of the transfer).
2. A Copyright Office Litigation Statement Form is completed and received from an attorney or authorized representative stating there is actual or prospective litigation involving the copyrighted work, giving assurance that the material will be used only in connection with the litigation, and providing detailed information about the parties, the controversy, and the court.
3. A court order is issued for reproduction of a deposited article that is the subject of litigation.

Rather than providing the actual deposit material, the Copyright Office may provide a reproduction, such as photographs or photocopies or a reproduction of a sound recording. A fee will be quoted by the Copyright Office when the request for deposit material is made.

COPYRIGHT NOTICE

Introduction

Before March 1, 1989 (the date of adherence by the United States to the Berne Convention), use of a **notice of copyright** (usually the symbol © together with the year of first publication and copyright owner's name) was mandatory. Since that date, the notice is no longer mandatory, although it is recommended and offers some advantages. Use of the notice informs the public that the work is protected by copyright, identifies the copyright owner, and shows the year of first publication. Furthermore, if a work is infringed, if a proper notice of copyright appears on a published work to which the defendant had access, the defendant cannot assert that infringement was innocent. (A successful innocent infringement defense may result in a reduction of damages.) Use of the notice is the responsibility of the copyright owner and does not require advance permission from or registration of copyright with the Copyright Office.

Works published before January 1, 1978, are governed by the 1909 Copyright Act. Under that Act, if a work was published under the copyright owner's authority without a proper notice of copyright, all copyright protection for that work was permanently lost in the United States. Many works fell into the public domain merely because the owner failed to include the copyright notice. To align the United States with the laws of most other foreign countries, the United States joined the Berne Convention in 1989 and agreed to eliminate any requirement for copyright notice.

With regard to works published between January 1, 1978, and March 1, 1989, omission of a notice was generally excused if the notice was omitted from a small number of copies or registration was made within five years of publication and a reasonable effort was made to add the notice after discovery of its omission. See Exhibit 13–2.

For works published before 1/1/78	Failure to include notice on published work invalidates copyright, and work will go into the public domain.
For works published between 1/1/78 and 3/1/89	Notice required for all published works. If notice omitted, copyright valid if notice only omitted from a small number of copies or registration is sought within five years and a reasonable effort is made to add notice.
For works published after 3/1/89	Use of copyright notice is optional. Lack of notice, however, may allow a defendant to assert infringement was innocent and may affect damages.

EXHIBIT 13-2 Copyright Notice Requirements

Form of Notice for Visually Perceptible Copies

The form of notice used for visually perceptible copies—those that can be seen or read either directly (such as books) or with the aid of a machine (such as movies)—is different from the form used for sound recordings (such as CDs or cassettes).

Under 17 U.S.C. § 401, the form for visually perceptible copies includes three elements that should appear together or in close proximity. The elements are the following:

1. The symbol © (the letter C in a circle), or the word “Copyright,” or the abbreviation “Copr.”; and
2. The year of first publication (the year can be omitted when a pictorial, graphic, or sculptural work is reproduced on greeting cards, stationery, jewelry, dolls, or toys); and
3. The name of the owner of copyright in the work, or an abbreviation or alternative designation by which the name can be recognized.

Recall that *publication* is defined as the distribution of copies or phonorecords of a work by sale, transfer, rental, lease, or lending or an offering to distribute copies or phonorecords to a group of persons for purposes of further distribution,

public performance, or display. If there are joint owners, all of their names should be given. The Copyright Act does not specify the actual order of the elements of the copyright notice but only requires that the notice be placed in such a manner and location as to give reasonable notice of the claim of copyright.

Examples of acceptable copyright notices are “© 1995 John Andrews,” “© 2007 ABC Inc.,” and “Copr. 1997 Madonna.”

Form of Notice for Sound Recordings

Because audio recordings such as audiotapes and phonograph discs are not “copies” but are “phonorecords” under the Copyright Act, the form of copyright notice is different from that used for visually perceptible copies. Copyright in a sound recording protects the particular series of sounds fixed in the recording against unauthorized reproduction, revision, and distribution. Phonorecords may be records (such as LPs and 45s), audiotapes, cassettes, or discs. Notice for phonorecords should contain the following three elements:

1. The letter “P” placed inside a circle; and
2. The year of first publication; and

3. The name of the owner of copyright or an abbreviation or alternative designation by which the owner can be recognized.

Special Notice Requirements

Questions about the form of copyright notice arise in a variety of cases. Some commonly encountered problems are as follows:

- **Contributions to collective works.** A single copyright notice applicable to the collective work (such as an anthology of poems or a magazine) as a whole is sufficient protection for all the contributions in the collective work (except advertisements). Nevertheless, the separate contributions to the collective work may bear their own notices of copyright (primarily to inform the public of the identity of the owner of the contribution).
- **Publications incorporating U.S. government works.** Any work published before March 1, 1989, that included government works was required to include a special notice identifying the portions of the work that incorporated government works. Thus, if a 1985 textbook reproduced the U.S. Constitution, the notice should state “© 1985 Penguin Books. Copyright is not claimed as to the U.S. Constitution reproduced in chapter 14.” For works published after March 1, 1989, the notice is not required but is recommended, because including the notice will preclude a defendant from alleging his or her infringement was innocent.
- **Derivative works.** In the case of a derivative work (one based on an underlying work, such as a sequel to a preexisting book), the information in the notice should relate to the new work, not the underlying work. The symbol © (or the word “Copyright” or the abbreviation “Copr.”), the year of first publication of the new work, and the name of the copyright owner of the new work should be given. Only the new material is owned by the new author, and one cannot extend the length of copyright protection by creating a derivative work. On occasion, a copyright notice will indicate a range of years for a work, for example, “© 1998, 1999, 2002 Jane Doe” to indicate the years of publication of the original work and later derivative works by the same author.
- **Unpublished works.** There has never been a requirement for use of a copyright notice for unpublished works, although a notice may be used. An example would be “Unpublished work © 2007 Daniel Donoghue.”

Location of Notice

The Copyright Act does not dictate exact placement of the copyright notice but requires only that it be placed in such a way that it gives reasonable notice of the claim of copyright. According to 37 C.F.R. § 201.20 (2011), the following placements are acceptable:

- **Works published in book form.** The notice may be placed on the title page, the page immediately following the title page, either side of the front or back covers, or the first or last page of the work.
- **Contributions to collective works.** The notice may be placed under the title or elsewhere on the same page if the contribution consists of one page. If the contribution spans more than one page, the notice may be placed under the title, on the first page of the contribution, or at the end of the contribution.
- **Works published as periodicals or other serials.** The notice may be placed at any of the locations acceptable on books, near the masthead or on the same page as the masthead, or adjacent to a prominent heading near the front of the issue.
- **Computer programs and works produced in machine-readable copies.** The notice may

appear with or near the title or at the end of the work, on visually perceptible printouts, at the user's terminal at sign-on, on continuous display on the terminal, or reproduced durably on a label securely affixed to the copies or to a container used as a permanent receptacle for the copies.

- ***Motion pictures and other audiovisual works.*** The notice may be placed with or near the title, with the credits information, at or immediately following the beginning of the work, or at or immediately preceding the end of the work. If the work is distributed to the public for private use (such as rental of videotaped movies or DVDs), the notice can also be placed on the permanent container for the videotape or DVD.
- ***Pictorial, graphic, and sculptural works.*** For works embodied in two-dimensional copies (such as paintings and posters), the notice may be affixed to the front or back of the copies or any backing or mounting material. For works reproduced in three-dimensional copies (such as sculptures, globes, and dolls), the notice may be affixed to any visible portion of the work or any base or mounting for the work. If it is impracticable to affix a notice to the copies directly (such as is the case with jewelry), a notice may be placed on a tag or label. For games and puzzles, the notice may be reproduced on the container.
- ***Sound recordings.*** The notice may be placed on the surface of the phonorecord or on the phonorecord label or container.

When a notice does not appear in one of the precise locations prescribed by 37 C.F.R. § 201.20, but a person looking in one of those locations would be reasonably certain to find the notice in another somewhat different location, that notice will be acceptable.

Omission of and Errors in Notice

Under the 1909 Copyright Act (and until March 1, 1989), copyright notices were mandatory; failure to give the notice resulted in permanent loss of copyright. There were no provisions to cure omissions of notice. The 1976 act attempted to lessen the harshness of prior law and allowed for cure of omissions of notice or certain errors as long as cure occurred within five years of publication. For works published after March 1, 1989 (the effective date of the Berne Convention Implementation Act), use of the notice of copyright is optional, and omissions and errors in the notice are less important. There may, however, still be issues such as the defense of innocent infringement where the question of proper notice may be a factor in assessing damages in infringement actions.

Some errors are considered so serious that they are viewed as equivalent to omitting the notice entirely. These errors include failing to include the symbol ©, the word "Copyright," or the abbreviation "Copr."; dating a notice more than one year later than the date of publication; giving a notice without a name or date; and locating a notice so that it does not give reasonable notice of the claim of copyright. Omission of a notice does not affect copyright protection, and no corrective action is required if the work was published after March 1, 1989.

Under Section 406, if an error in the date occurs for works distributed after January 1, 1978, and before March 1, 1989, it may affect copyright duration. For example, if a work for hire is published in 1985 and yet the copyright notice gives the year as 1984, the term will be measured from 1984 and the copyright will last until 2079 (95 years from 1984). If the year date in the notice is more than one year later than the year of publication, the work is considered to be published without any notice.

Surplusage in Copyright Notice

Many copyright owners and publishers place notices or information in addition to the three elements of a copyright notice. For example, the following information is often seen: “Not for reproduction,” “All Rights Reserved,” and “No portion of this work may be reproduced, displayed, broadcast, or disseminated in any form without prior written consent.” Such additional information may be included on the copyrighted work; however, it is mere surplusage and provides no rights beyond those already provided for by the Copyright Act. The phrase *all rights reserved* is often seen inasmuch as it is commonly used in many foreign countries. Surplusage should never take the place of the actual copyright notice and serves

primarily to offer a certain level of comfort to the author or copyright owner.

Restoration of Copyright in Foreign Works

Pursuant to the Uruguay Round Agreements Act, effective January 1, 1996, copyright in foreign works whose U.S. copyright protection had been lost due to noncompliance with notice requirements in U.S. law (e.g., if the work were published in the United States without a copyright notice) was automatically restored. Works of U.S. origin are unaffected, but foreign works that fell into the public domain in the United States were automatically restored as of January 1, 1996. Additional information is available in Copyright Office Circular 38b at <http://www.copyright.gov>.

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- The song “White Christmas” was registered by Irving Berlin in 1942. The song is said to be the most valuable music copyright in the world.
- Total copyright registrations in 2009 were 382,086. The total number of copyright registrations issued by the Copyright Office is more than 33 million.
- In fiscal year 2009, the Copyright Office website logged 23 million page views.
- More literary works are registered than any other type of work. In 2009, 170,801 literary works were registered; 93,254 works of performing art (including motion pictures) were registered; 75,175 works of the visual arts were registered; and 42,053 sound recordings were registered.
- In 2009, the Copyright Office received nearly 300,000 eService claims for processing.

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CHAPTER SUMMARY

Copyright protection exists from the time a work is created in fixed form. No publication or registration or other action in the Copyright Office is required to secure copyright. There are, however, several advantages to securing registration, namely, the ability to initiate suit in federal court for copyright infringement, the ability to recover statutory damages and attorneys’ fees in infringement actions, and the creation of a public record of one’s claim to copyright.

Because there are many advantages to copyright registration, copyright owners should be encouraged to complete an application for copyright registration. Three elements are required to register a work: a properly completed application; a nonrefundable filing fee; and supporting deposit materials. The Copyright Office prefers that applicants file electronically, using its eCO system. Electronic filers pay lower filing fees and receive faster processing of their applications. The registration process takes approximately 3 months for electronically filed applications and 10 months for paper or fill-in applications, although application can be expedited if certain conditions are met. Existing registrations can be corrected or amplified if needed.

Searches of Copyright Office records can be conducted at the Copyright Office, online, or by requesting search assistance from the Copyright Office or a private company. The Copyright Office provides copies (both certified and uncertified) of records upon request and payment of fees.

Although use of a copyright notice is optional for works created on or after March 1, 1989, use of the notice is recommended. The notice consists of three elements: the symbol © (or the word “Copyright” or abbreviation “Copr.”); the year of first publication of the work; and the name of the copyright owner. The notice should be affixed to copies or phonorecords in such a way as to give reasonable notice of the claim of copyright.

CASE ILLUSTRATION

DEFERENCE GIVEN TO DECISIONS OF COPYRIGHT OFFICE

- Case:** *Norris Industries, Inc. v. International Telephone & Telegraph Corp.*, 696 F.2d 918 (11th Cir. 1983)
- Facts:** Plaintiff was the holder of a copyright on wire-spoke wheel covers for automobiles and sued the defendant for copyright infringement. Plaintiff had received copyright registrations for some of the wheel covers although registration was denied for others. The Register of Copyright joined the lawsuit for the purpose of contesting registrability. The district court held the copyrights were invalid because they were for useful articles.
- Holding:** Affirmed. The district court properly gave deference to the Register of Copyrights, who has considerable expertise in defining the boundaries between copyrightable works of art and non-copyrightable industrial designs. Other courts have similarly given considerable weight to the Register’s decisions in refusing registration. Although a court should not simply

(Continues)

accept the Register's decision without question, in this case there was no abuse of discretion by the Register.

CASE STUDY AND ACTIVITIES

Case Study: Holiday is interested in taking a look at a new advertising poster it believes its competitor, Carnival Cruises, has registered with the Copyright Office. Holiday is also the owner of a new computer program and a new 30-second radio advertisement that it believes are in danger of being "leaked" before Holiday's planned marketing launch. Holiday has not yet applied to register the computer program and radio advertisement.

Activities: May Holiday obtain its competitor's deposit materials and review the poster? Is there anything Holiday can do to protect its computer program and radio advertisement?

ROLE OF PARALEGAL

Paralegals are more actively involved in applying for copyright registration than in any other aspect of copyright law. Among the many activities in which IP professionals are engaged are the following:

- Obtaining circulars from the Copyright Office so the office has a ready supply of information;
- Assisting copyright owners in completing copyright questionnaires so applications can be prepared;
- Preparing and filing applications for registration (and preregistration) of copyright;
- Assisting clients in collecting deposit materials to accompany copyright applications;
- Establishing deposit accounts with the Copyright Office and monitoring those accounts to ensure they are routinely replenished;
- Working with clients to determine if special handling is needed for applications;
- Docketing dates of filing of applications and monitoring progress of the application;
- Responding to requests for information or clarification from the Copyright Office;
- Reviewing certificates of registration for errors and preparing supplementary registrations to correct or amplify information in copyright records;
- Preparing letters confirming registration, indicating duration of copyright, and giving instructions for providing notice of copyright;
- Searching or requesting searches of Copyright Office records;
- Requesting copies, certified and uncertified, of Copyright Office records;
- Arranging to review deposit materials in litigation matters;
- Reviewing client materials to ensure copyright notices are in compliance with law and are placed properly; and
- Monitoring the Copyright Office website to keep abreast of changes in copyright law and procedure.

INTERNET RESOURCES

- Federal laws relating to copyright: <http://www.law.cornell.edu>
<http://www.gpo.gov/fdsys>
- Copyright Office: <http://www.copyright.gov> (for circulars and instructions and information on filing copyright applications, searching for records, fee schedules, information on special handling, requesting deposit materials, and other information)
- General information: <http://www.findlaw.com>
<http://www.megalaw.com>

DISCUSSION QUESTIONS

1. Ty is the author of a newly finished book. He would like to obtain copyright protection for the book as soon as possible. What is the best strategy for Ty to take to obtain copyright protection at the earliest possible time?
2. Mallory assigned the copyright in her new song to Ryan. When a copyright application is prepared for the work, who will be identified as the author and who will be identified as the claimant?
3. Jill's screenplay was written last year and distributed without a copyright notice. What effect will this have on Jill's rights to the work? Would your answer be the same if the screenplay were written in 1975? Discuss.
4. Luis has just discovered that his nearly completed song that he intends to include on his new CD is being downloaded by James. What, if anything, may Luis do to enable him to sue James in federal court?
5. Give the appropriate copyright notice for the following works:
 - A 1998 sound recording by Cher
 - A 2007 novel by Dan Brown
 - A 2008 videogame developed by Apple Inc.
6. Renee, a copyright claimant of a novel, wants to be sure that she is contacted if anyone wants permission to prepare a derivative work (such as a movie) based on her novel. How will Renee inform others of this intent?
7. In reviewing a copyright application, a copyright examiner is unsure whether the work qualifies for copyright registration. Valid arguments can be made to support and oppose copyrightability. What will the Copyright Office likely do? Discuss.
8. ABC Inc. is in the process of transferring all of its assets to XYZ Inc. and is contractually required to ensure that all of its training materials have been registered with the Copyright Office. ABC just discovered that four of its training materials have not been registered. Is there anything ABC can do to ensure that its materials are registered as quickly as possible so it can complete its transaction with XYZ? Discuss.

USING INTERNET RESOURCES

1. Access the website of the Copyright Office.
 - a. Review the materials relating to preregistration. What is the current fee to preregister a work?
 - b. What is the fee to obtain expedited searching of Copyright Office records?
2. Access the website of the Copyright Office and select “Search Records.” Search the catalog to obtain the answers to the following questions.
 - a. Locate the film *Amistad* by Steven Spielberg. What is the copyright registration number? Was this a derivative work? Discuss.
 - b. Locate Copyright Registration Number PAu003543419. What is the title of this work? Was it a work made for hire?
 - c. Locate Copyright Registration Number PRE000000004. Identify the title of the work and the type of work registered.
 - d. How many results are located when you search for registrations and documents related to Dolly Parton?
 - e. Whom would you contact for permission to reprint the work registered as TXu001735836?
 - f. Locate the document recorded as V3065P154. What was the nature of the document or transaction recorded?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms,
Chapter Resources, and additional information.



CHAPTER 14

Copyright Infringement

CHAPTER OVERVIEW

A copyright owner who has a registered copyright may bring an action for infringement when any of his or her exclusive rights have been infringed by another. Generally, to prevail in an infringement action, a plaintiff must show ownership of copyright and impermissible copying. Copying is generally proven by demonstrating that the defendant had access to the work and that the defendant's work is substantially similar to that of the copyright owner.

There are various defenses a defendant may assert in an infringement action. One of the most common defenses is that the defendant's use of the work is a "fair use." A fair use is generally a use for news reporting, scholarship, research, or educational purposes. Courts examine four factors in determining whether a defendant's use of a copyrighted work is a fair use: the purpose and character of the use, including whether the use is of a commercial nature or is for nonprofit educational work; the nature of the copyrighted work (with factual works receiving less protection than works of fiction or fantasy); the amount and substantiality of the portion taken by the defendant; and the effect of the defendant's use on the market for the plaintiff's work. Other defenses include laches, unclean hands, and the statute of limitations, which is three years from the infringing act.

Remedies available to a plaintiff include injunctive relief, impoundment of the infringing goods, actual damages and the defendant's profits, statutory damages, costs, and attorneys' fees. Criminal sanctions can be imposed for certain willful infringements.

INTRODUCTION

Registration (or preregistration) of a copyright is a requirement for initiating an action for infringement, 17 U.S.C. § 411, although registration is not required for works not originating in the United States. Moreover, prompt registration is a prerequisite for certain remedies for infringement. 17 U.S.C. § 412. Thus, although registration is not required to obtain copyright protection for a work, the failure to register will preclude a copyright owner from seeking redress for infringement. If registration of a work is refused by the Copyright Office, an action for infringement may still be brought if the author notifies the Copyright Office of the action. The Register of Copyrights then has the right to become a party to the action with respect to the issue of registrability of the copyright claim. 17 U.S.C. § 411.

Section 501 of the Copyright Act provides that anyone who violates any of the exclusive rights of a copyright owner (rights of reproduction, adaptation, distribution, performance, and display), or of the author (as provided in the Visual Artists Rights Act), or who imports copies or phonorecords into the United States in violation of copyright law, is liable for direct infringement of the copyright or right of the author. For example, the following may constitute infringement: playing copyrighted music in a large department store without permission; failing to provide attribution for a painting or other work covered by the Visual Artists Rights Act; and photocopying material from a copyrighted book.

ELEMENTS OF INFRINGEMENT

Ownership of Copyright

To prevail in an infringement action, a plaintiff must prove two things: his or her ownership of a valid copyright and copying or some other impermissible invasion by the defendant of one of the exclusive rights afforded to copyright owners. Ownership is usually more easily established than copying. A party may prove ownership by demonstrating that he or she is the author of the work or that the copyright in the work has been transferred to him or her. A certificate of copyright registration (made before or within five years of first publication of the work) will establish *prima facie* evidence in court of the validity of the copyright and of the facts stated in the certificate, including identity of the author or copyright owner.

Ownership issues often arise in the context of work-made-for-hire disputes, particularly when a party claims he or she is not an employee and thus a work cannot be owned by an employer or when a party claims there was no written agreement relating to the status of a specially commissioned work and thus he or she has retained copyright ownership. Remember that the author of a work made for hire is the employer or the commissioning party. Thus, such employer or commissioning party would be the proper plaintiff in an action relating to infringement of a work made for hire.

If the copyright has been transferred to another, that party is now the owner of the transferred rights and has the right to protect the work by an infringement action. For example, if a copyright author has transferred (in writing) exclusive rights to perform a work to another and the work is infringed by impermissible performance, the transferee's rights have been infringed. If there has been unauthorized reproduction rather than unauthorized performance, the original copyright author's rights have been infringed, and he or she may initiate an infringement

action. Courts will insist the plaintiff prove the transfer and show how the plaintiff acquired rights. Additionally, the plaintiff must have been the owner at the time his or her rights were infringed. If a copyright owner has transferred a work to another and yet retains some connection with the work, for example, by receiving periodic royalty payments, the owner as well as the transferee's rights have been infringed because both are affected by an infringement that would reduce the value of the work; therefore, both have standing to initiate an infringement suit.

Upon introduction of the registration (or transfer of copyright) into evidence, the court will presume that the work is protected under copyright law (although that presumption can be rebutted or defeated by the defendant) and that the plaintiff has ownership rights in the work such that he or she is the proper party to bring the infringement action.

Copying

Introduction. Copying may be proven by direct or indirect evidence. Direct evidence exists when the defendant admits copying or an eyewitness can testify that copying took place. Because it is usually very difficult to show direct evidence of copying, most cases rely on indirect or circumstantial evidence of copying, which requires proof of two elements: that the defendant had access to the copyrighted work *and* that there is substantial similarity between his or her work and that of the defendant. An independently created work cannot infringe even if it is identical to the copyrighted work.

Innocent Infringement Is Not a Defense.

Infringement does not require an intent to infringe; even **innocent infringement** gives rise to liability. For example, assume *A* is given a book that *B* claims *B* wrote. The book was actually the creation of *C*. If *A* copies the book, *A* has infringed *C*'s copyright even though *A* did not intend to infringe and did not know *C* had any copyright interest in the book. Thus,

neither intent to infringe nor knowledge of copyright is required for infringement to occur, although innocence may have a bearing on the amount of damages for which a defendant is liable. Moreover, merely attributing the material copied to the owner by stating that copies of chapters of a text are the product of their author will not protect an infringer. Attribution may reduce damages, but a party cannot escape liability for infringement by merely acknowledging the work is owned by another.

Additionally, infringement can be "subconscious," as was the case in *Bright Tunes Music Corp. v. Harrisongs Music, Ltd.*, 420 F. Supp. 177 (S.D.N.Y. 1976), *aff'd*, 722 F.2d 988 (2d Cir. 1983), in which a court held Beatle George Harrison's song "My Sweet Lord" infringed the song "He's So Fine" recorded by The Chiffons. In that case, the court held that Harrison did not deliberately plagiarize the earlier song but that he subconsciously recollected the copyrighted song when he composed "My Sweet Lord." On appeal, the Second Circuit reaffirmed that intent to infringe is not essential and that to allow a defense of innocent infringement would undermine the protections Congress intended copyright owners to possess.

Access. Access is generally interpreted to mean that a party had a reasonable opportunity to perceive or review a work, either directly or indirectly. Access can be inferred if the copyrighted work has been widely disseminated. Moreover, if the two works are identical or nearly so, it may be presumed that the defendant had access to the plaintiff's work. Generally, the greater the similarity between two works, the less access must be shown. Conversely, if the works are entirely dissimilar, no amount of access will result in a finding of copying.

In some cases, where there has been no evidence of access, courts have nevertheless found infringement if the two works are strikingly similar. Copying may be inferred where the works are so similar that

the possibility of independent creation or coincidental creation is precluded.

Access has been shown where copies of the plaintiff's work have been sent to the defendant, where the defendant has visited the plaintiff's place of business, where the plaintiff's works have been displayed at events attended by the defendant, and where access occurred through a third party, such as a manufacturer, connected to both the plaintiff and the defendant.

Substantial Similarity of Works. As noted, because it is seldom possible to prove copying by direct evidence (such as testimony from a witness who saw the defendant copy from the plaintiff's book), copying is usually proven through indirect or circumstantial evidence. Thus, infringement is usually shown by demonstrating that the allegedly infringing work is substantially similar to the copyrighted work. In some instances, map makers and directory authors purposely include fictitious entries in their works; when the same erroneous matter is found in a defendant's work, copying is generally found to exist.

The test used by most courts, often referred to as the ordinary reasonable observer test, focuses on whether the accused work is so similar to the copyrighted work that an ordinary reasonable person or lay observer would recognize that the copyrighted work was appropriated by the defendant.

The lay observer test has been refined to take into account the intended market for the works. Thus, where infringement of a video game was alleged, and the target market was young men, a court found that the intended purchasers (17½-year-old males) were a knowledgeable and discerning group and would not regard the works as substantially similar. *Data East USA, Inc. v. Epyx, Inc.*, 862 F.2d 204 (9th Cir. 1988). Another refinement of the lay observer test occurs when the works are complex, such as computer programs. In such cases, expert testimony is usually used to prove or disprove

substantial similarity inasmuch as computer programs are highly technical and unfamiliar to most of the general public.

Many courts use a two-step analysis to determine if infringement has occurred. The first step analyzes whether there has been copying. Once copying has been established, the second step requires that a determination be made as to whether the copying constitutes an impermissible appropriation, namely, whether the copying of the protected material was so extensive that it rendered the offending and copyrighted works substantially similar. In the first stage, some courts compare the works element by element and create lists of similarities and dissimilarities, in essence, "dissecting" the works. Other courts criticize dissection and prefer to focus on the overall similarities or the "total concept and feel" of the works, especially when only some of the work is protectable. For example, in *Boisson v. Banian, Ltd.*, 273 F.3d 262 (2d Cir. 2001), a case involving infringement of quilt patterns, some of which included non-protectable elements such as alphabet letters, the court relied on the "more discerning observer" test and stated that determining substantial similarity required examination of the total concept and feel of the two works, as instructed by common sense when some elements are nonprotectable.

Courts have continually struggled in assessing "substantial similarity." In *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir. 1930), Judge Learned Hand commented that copyright protection cannot be limited literally to the text; otherwise a plagiarist would be able to make immaterial variations with impunity. Thus, a party need not copy the entire work to be an infringer.

When only a part of a work is taken, such as one scene from a play, Judge Hand stated that the question is whether the part taken is substantial. Even more difficult questions, however, arise when the plagiarist does not copy a block of material but rather abstracts the whole work. In these two instances

(**literal copying** of some of a work and nonliteral copying of an entire work), Judge Hand remarked that “Nobody has ever been able to fix that boundary [of protection], and nobody ever can.” *Id.* at 121.

If part of a work is copied or taken, courts usually examine not only the quantity of the work taken but also its characteristics and the nature of the work itself. Infringement has been found even if language is not identical when recognizable paraphrases have been taken. There is no precise answer to the question “how much is too much?” In one case, the taking of fragments from three sentences in a book of more than 200 pages was found to be infringement. Moreover, if the part taken is the “heart” of the material, there may be an infringement. It is not necessary that a large portion of material be copied; it is sufficient if a material and significant part is taken even though that may be a small part of the whole. Thus, a love story about lovers from different economic classes with a tragic ending might not infringe the book *Love Story*; however, using the well-known line, “Love means never having to say you’re sorry,” might well constitute an infringement because the statement is an important portion of or the “heart” of the work copied.

Once copying is shown, examination must focus on whether the elements taken were protected by copyright. It is permissible to take ideas but impermissible to appropriate expression of those ideas. Works in the public domain may be examined, and the defendant may attempt to prove that both the plaintiff’s work and the defendant’s work share elements and similarities with works in the public domain. If all similarities arise from use of common ideas or works in the public domain, there can be no infringement.

Some courts use a test known as the “abstraction-filtration-comparison” test to separate protectable expression from unprotectable ideas in copyright infringement cases. First, a court dissects the allegedly infringing work and isolates each level of abstraction

in it. Second, unprotectable elements, such as ideas, processes, facts, and public domain information, are filtered out. Third, a comparison is made of the remaining protectable elements to determine if the second work misappropriates substantial elements of the first. *Computer Assocs. Int’l, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992). The abstraction-filtration-comparison test is used most frequently in determining whether infringement of computer programs has occurred and is discussed further in Chapter 15. See Exhibit 14–1 for copyright infringement myths.

Some of the newer issues involving copyright infringement relate to the Internet. For example, in March 2007, entertainment giant Viacom sued Google’s YouTube for contributory copyright infringement, alleging that the video website did little or nothing to prevent users from posting copyrighted videos on its site. Viacom asked for \$1 billion in damages, noting that clips from popular shows such as *South Park* are routinely posted on YouTube, which in the past has removed offending clips upon a “takedown” request by copyright owners. In mid-2010, a federal judge ruled in favor of YouTube, agreeing that because YouTube complies with the takedown provisions of the **Digital Millennium Copyright Act (DMCA)**, it is shielded from liability and that mere general knowledge that infringing activity occurs on YouTube is not sufficient to impose responsibility on service providers such as YouTube. (Note that this approach is highly similar to the ruling in the trademark case *Tiffany (NJ) Inc. v. eBay Inc.*, discussed in Chapter 6.) At the time of the writing of this text, Viacom had appealed the lower court’s decision. See Chapter 15 for more information about the *YouTube* case.

Most experts believe that digital infringement should be treated no differently from conventional infringement and that the likely resolution is that the two companies will enter into an arrangement whereby YouTube licenses the right to show Viacom’s

There are a number of myths or misconceptions regarding copyright infringement. Some of the more common myths include the following:

- **I can use anything without a copyright notice.** False. Placing a copyright notice on a work is optional since March 1, 1989, and works are protected under copyright law from the time of their creation in a fixed form.
- **If I give credit or attribution to another, there is no infringement.** False. While indicating that material is the product of another may show innocent infringement and help to reduce damages, infringement is not cured by reciting that another is actually the author of a work.
- **I'm only using a little bit, so there can be no infringement.** False. Copyright infringement does not depend on how much is taken. This myth is similar to a common misunderstanding that a musician can use four bars of another's song before infringement will be found. If the amount taken is qualitatively significant, infringement will exist. In one case, the taking of two bars of music was held to be an infringement.
- **If I don't charge for what I took, there can be no infringement.** False. Although a noncommercial use of a work may affect the damages awarded in an infringement case, unauthorized taking constitutes infringement whether or not it is for profit-making purposes.
- **I'm only paraphrasing, so there can be no infringement.** False. Infringement is not limited to exact copying. If two works are substantially similar, copying may be shown.
- **I mailed it to myself and thus copyrighted the work.** False. For some reason, a myth persists that if one mails a copy of one's work to oneself, the work is now protected by copyright. The mailing of the work has no relationship to copyright protection. The work is protected from the time it is created in a fixed form.

EXHIBIT 14-1 Copyright Infringement Myths

content. In the interim, Google has unveiled a filtering system that gives the owners of copyrighted materials the option of promoting or blocking their content on the YouTube site.

CONTRIBUTORY INFRINGEMENT AND VICARIOUS INFRINGEMENT

Courts have held persons and companies liable for the infringing acts of others. If a person, with knowledge of an infringing activity, induces, causes, or contributes to infringing conduct, he or she will be liable for infringement as a contributory infringer. **Contributory infringement** occurs when photo shops reproduce or duplicate photographs bearing a copyright notice, when copy shops reproduce or

allow customers to photocopy books and other protected materials, when operators of flea markets or swap meets allow pirated works to be sold, or when an individual sells specially formatted blank cassettes and tape duplicating equipment to pirates with knowledge they are engaging in acts of infringement.

Generally, contributory infringement requires either personal conduct that furthers the infringement or contribution of goods or machinery that provide the means of infringement. If the equipment supplied is capable of significant noninfringing uses, no contributory infringement will be found unless there is clear intent to bring about infringement.

In the famous case *Sony Corp. of America v. Universal City Studios Inc.*, 464 U.S. 417 (1984), the Supreme Court was called upon to determine

whether home videotaping of copyrighted works for later private viewing (e.g., taping a copyrighted television show or movie shown on television so one can watch it at a more convenient time, commonly referred to as “time-shifting”) constituted infringement and whether the defendant Sony was contributorily liable for making the videocassette recorders used to make the allegedly infringing copies. The Court held that time-shifting did not constitute infringement and that the sale of copying equipment, like the sale of other staple articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate and unobjectionable purposes or if it is capable of substantial noninfringing uses. Sony was held not liable for contributory infringement. By contrast, in *Elektra Records Co. v. Gem Electric Distributors, Inc.*, 360 F. Supp. 821 (E.D.N.Y. 1973), the defendant stores sold blank tapes and for a fee loaned customers prerecorded tapes containing copyrighted songs. Customers would then duplicate the entire tapes on the defendants’ Make-A-Tape systems at the stores. The defendants were held liable for contributory infringement because they supplied all means necessary to infringe. Moreover, the defendants had a financial interest in the infringement.

Cases involving Internet service providers frequently approach the issue of copyright infringement from the standpoint of contributory liability. For example, *Metro-Goldwyn-Meyer Studios Inc. v. Grokster Ltd.*, 545 U.S. 913 (2005) held that one who distributes a device with the object of promoting its use to infringe copyright as shown by a clear expression or other affirmative steps to foster infringement is liable for the infringing acts of third parties. In *Grokster*, the defendants, who made and distributed computer software that enabled peer-to-peer file sharing over the Internet, were liable because their users used the software primarily to infringe copyrighted music and movies on a massive scale. Although the software may have had some noninfringing uses, the clear

intent of the defendants was to bring about copyright infringement. Thus, they were secondarily liable for copyright infringement.

As held in the *YouTube* case (and discussed further in Chapter 15), however, Internet service providers who expeditiously remove infringing materials when they have notice of such infringement, however, are generally not held liable for contributory infringement (primarily because the Digital Millennium Copyright Act provides a safe harbor for such providers if they act promptly when given notice of such infringement).

Vicarious infringement typically occurs when one party is responsible for infringement conducted by another when the two parties share a special relationship, such as that of employer-employee. One who is in a position to control the use of copyrighted works by others and has a financial interest in exploitation of the copyrighted works will be liable for vicarious infringement, even if he or she had no knowledge the infringement was occurring. For example, universities may be held liable for the infringing activities of teachers who photocopy copyrighted materials for distribution to students. The universities are in a position to control and direct the activities of teachers and should implement policies refusing photocopying unless the teachers obtain copyright releases or permission forms from the authors. Similarly, the operator of a swap meet was held vicariously liable for the sale of counterfeit recordings by a vendor who rented space from the operator on the basis that the operator had the right and ability to supervise the direct infringer and derived a financial benefit from the infringer’s activities. *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996).

DEFENSES TO INFRINGEMENT

There are a variety of defenses a defendant charged with copyright infringement may assert. As stated, however, the infringer’s intent is not relevant, and

infringement can be found whether or not the defendant intended to infringe copyrighted works. Intent, however, may be relevant in assessing damages.

Fair Use

Section 107 of the Copyright Act provides that the fair use of a copyrighted work for purposes such as criticism, comment, news reporting, teaching, scholarship, or research is not an infringement. Fair use is thus a privilege to use copyrighted material without permission of the copyright owner. The rationale for allowing certain uses of copyrighted material is to benefit the public and promote the arts and sciences. The fair use defense is the most important defense to an allegation of copyright infringement.

The Copyright Office has given examples of activities that courts have regarded as fair use, including the following:

- Quoting excerpts from copyrighted materials in a review or criticism of the work
- Quotation of short passages in scholarly or technical works for illustration or clarification of the author's observations
- Use in a parody of some of the parodied work
- Reproduction of a small portion of a work by a teacher to illustrate a lesson
- A summary of an address or article, with brief quotations, in a news report

Thus, reviewers critiquing a song may quote lyrics from it, and parodies may be made of other works.

The Act identifies (and courts must consider) four factors in determining whether a use is fair and is thus permissible:

1. The purpose and character of the use, including whether such use is of a commercial nature or whether it is a nonprofit educational use
2. The nature of the copyrighted work

3. The amount and substantiality of the portion used in relation to the copyrighted work as a whole
4. The effect of the use upon the potential market for or value of the copyrighted work

None of the four factors identified in Section 107 is meant to be conclusive. Courts will examine each factor and weigh all considerations in determining whether a use is a permissible fair use or an infringing use. No one test is applied, and each case is determined on its own merits.

The Purpose and Character of the Use.

The first factor considered by courts focuses on the purpose for which reproduction, adaptation, distribution, performance, or display of a copyrighted work is undertaken and the use that is made of it. Generally, use for comment, criticism, and so forth is acceptable because it benefits the public and advances the public good; however, if a for-profit motive underlies any of these purposes, a different conclusion may be reached. Although commercial use will not automatically defeat a defense of fair use, use of another's work for a commercial purpose is less likely to be permitted than use for a noncommercial purpose. Thus, commercial use tends to weigh against a finding of fair use.

Courts also examine whether the defendant's use adds something new with a new purpose or different character. Addition of new material or a productive use benefits the public. The more transformative a work is, the less significant are other factors (such as commercial use). Failure to transform a work in any way weighs against a finding of fair use.

Finally, a use that is merely incidental is more likely to be determined to be a fair use. For example, if a CNN news reporter stands in front of a copyrighted painting while reporting on theft of works of art, such a use is incidental and may support a finding of fair use, even though the use is commercial

and it violates the copyright owner's right to display the work.

The Nature of the Copyrighted Work.

Courts consider the degree of creativity in the copyrighted work in determining whether a use is fair. Generally, the more creative the work, the more protection it is afforded against allegedly infringing works. Conversely, the more informational or factual the work, the less protection it receives. Thus, the fact that a second work is factual or informational in nature tends to support a finding of fair use. Once again, use and dissemination of factual and informational material tends to advance research and scholarship and is thus encouraged.

Whether the work is published or unpublished is important. Unauthorized use of an owner's work prior to publication severely affects the owner's right to determine the timing of entry into the market and be the first "on the scene." Thus, works that are unpublished generally receive more protection than those that have been published. Nevertheless, 17 U.S.C. § 107 specifically provides that the fact that a work is unpublished shall not itself bar a finding of fair use.

Amount and Substantiality of the Portion Used. In determining whether use of another's copyrighted work is fair, courts consider the quantitative as well as the qualitative portion of the work that is reproduced. Generally, it is not a fair use to reproduce an entire work. When less than all of a work is reproduced, whether the use is fair depends on the importance of the portion used, namely, whether the reproduced portion is the essence or "heart" of the copyright owner's work. Even when the amount taken is quantitatively small, the use may still be impermissible if what is taken is the central or pivotal portion of the work. For example, in *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985), although the portion taken was small (only

about 300 words out of 200,000 words), the verbatim copying was the essence of the copyrighted work. This amount was considered excessive.

The Effect of the Use on the Market for the Copyrighted Work.

Most courts agree that the effect of the defendant's use on the potential market for the copyright owner's work is the most important of the four factors considered in determining whether a use of another's work is a permissible fair use. If the defendant's use causes or may cause a loss of revenue to the copyright owner, such argues against a finding of fair use. If the work will supplant the market for the copyright owner's work or diminish the potential market, the use is likely not a fair one.

Overview of Fair Use Cases. A brief review of some fair use cases will help demonstrate the balancing of the fair use factors engaged in by courts:

- *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). In this case, Universal alleged that use of VCRs sold by the defendants violated the 1976 Copyright Act and that sale of the VCR machines constituted contributory infringement. The Court focused on the fourth factor of the fair use doctrine (the effect of the use on the potential market for the copyrighted work). The Court held that the practice of using a VCR to record a program for later private viewing ("time-shifting") was a fair use because it was noncommercial, and there was little likelihood of harm to the potential market for the copyrighted works. Moreover, the VCRs had substantial noninfringing uses.
- *Harper & Row Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985). In this case, former President Ford granted Harper & Row exclusive rights to publish his memoirs and to license pre-publication serialization of those memoirs. *Time*

magazine then purchased from Harper & Row the right to publish certain excerpts from the book before its publication. Before *Time* could publish the excerpts, someone provided a copy of the manuscript to *Nation* magazine, which then published an article about the forthcoming book and included approximately 300 words of direct quotes from the book. Because it had been “scooped,” *Time* abandoned its plans to publish excerpts from the book and refused to pay the balance of its license fee to Harper & Row. Harper & Row sued *Nation* for copyright infringement. The Court held that the use was not a fair one: The publication in *Nation* was commercial in nature; the amount copied, though small quantitatively, captured the “heart” of the book; and the publication had an adverse effect on the potential market for the book.

- *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1525 (S.D.N.Y. 1991). For many years, Kinko's, a copy shop, had prepared course packets consisting of photocopies of assigned reading for college students. Publishing houses sued Kinko's, alleging that Kinko's practice of copying portions of books without permission and without payment violated the publishers' copyrights. The court found that Kinko's use was not fair use. Although the students' use of the materials was educational, Kinko's purpose in copying them was commercial. The amount and substantiality of the portions copied also weighed against a finding of fair use, and the potential market for the copyrighted materials was harmed in that Kinko's offered the materials at a lower cost and thus students refrained from buying the books.
- *Warner Brothers Entertainment Inc. v. RDR Books*, 575 F. Supp. 2d 513 (S.D.N.Y. 2008). The plaintiff, who owned the film rights to the famous Harry Potter books, and the author of the books, J. K. Rowling, sued the defendant to

enjoin his publication of a “lexicon” or encyclopedia of alphabetical terms related to the Harry Potter books. The court held that the defendant's use was not a fair use. Although the defendant's work was transformative, it was not consistently so. Moreover, he took more than what was reasonably necessary. Because the Harry Potter books are highly creative and imaginative, they are given a broad scope of protection. Finally, although the defendant's use would not supplant the market for the Harry Potter books, they would unfairly harm the market for the author's companion books.

- *American Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir. 1994). In this case, publishers of several scientific journals brought suit against Texaco, alleging that the company's practice of copying articles from journals and then routing or distributing the articles to its more than 400 researchers was infringement. The researchers placed copies of the articles in their files for later use and reference. The publishers alleged the practice infringed their rights in the articles. The court held that Texaco's copying was not a fair use. Although the for-profit motive of Texaco was relevant, the court stated the focus should be on the use of the material itself rather than the user. The fact that the materials were used for an archival purpose—they were merely placed in files and not transformed in any way—weighed against a finding of fair use. On the second factor (the nature of the work), the court found the articles were scientific and factual, and this weighed in favor of Texaco. The third factor (amount of work copied) weighed against Texaco because entire separately copyrighted articles were copied. In regard to the last factor (effect of the copying on the potential market for the copyrighted materials), the court found against Texaco because the publishers lost subscription revenue and because Texaco could

have entered into a license with the Copyright Clearance Center (CCC), a central clearinghouse established by publishers at the suggestion of Congress to license the copying of materials, much like ASCAP and BMI license the performance of music. By bypassing CCC, Texaco's copying caused a loss of licensing revenue to the publishers. Texaco appealed to the U.S. Supreme Court, which granted certiorari; however, before the Court heard the case, the parties entered into a settlement, with Texaco agreeing to pay more than \$1 million and an additional retroactive license fee to the CCC. Texaco also agreed to enter into a five-year licensing arrangement with the CCC.

The *Texaco* case has caused much consternation inasmuch as it has been common practice for many companies to purchase only a limited number of subscriptions to journals and then copy articles as needed for distribution to employees. Without a ruling by the Supreme Court, users are left with the Second Circuit's holding that the practice is infringement. Some issues remain unresolved, including whether there is a difference between the archiving of articles by researchers funded by government grants and archiving by those funded by private company grants, and what result should be reached when copying is done by an institution that serves both the commercial sector and the educational sector. The safest course appears to be to enter into private licensing arrangements with the publishers or to obtain a license through the CCC. The CCC also offers guidelines for creating copyright compliance policies. Call (978) 750-8400 or access the CCC's website at <http://www.copyright.com>.

Parody

Parodies of works of literature, art, and music are viewed as a productive form of social commentary and criticism. Because copyright owners are highly

unlikely to grant permission to another to parody their work, parodists often rely on the fair use defense when infringement is alleged by the owner of the parodied copyrighted work. Generally, no more than is necessary to accomplish the parody may be taken from the original work. The parodist's work must "conjure up" the copyright owner's work and link the parody with that of the original to make social comment or criticism. If the parodist merely copies a work to make social comment on some other topic, fair use is not available.

In *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), Acuff-Rose, a music company, brought suit against the rap group 2 Live Crew claiming that the group's rap version of the song "Pretty Woman" infringed its copyright in the famous Roy Orbison song, "Oh, Pretty Woman." The Supreme Court held the parody was a fair use. In regard to the first fair use factor, the Court held that although the use was commercial, the new work added something new with a new expression and meaning. The second factor (the nature of the copyrighted work) was held to be of little use in the context of a parody because a parody, by definition, almost always copies known works such as the Orbison song. As for the amount and substantiality of the work copied, the Court stated that even if 2 Live Crew copied the "heart" of the Orbison song, it is the heart that most readily conjures up the original for the parody. Regarding the fourth factor, there was no evidence that the 2 Live Crew song had any impact on the market for nonparody or nonrap versions of the original Orbison song. Persons interested in the original song were unlikely to purchase the parody version in its place.

Conversely, in *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir. 1997), the court held that a poetic account of the O. J. Simpson double murder trial presented in the style of the famous *Cat in the Hat* rhyming book was not protected parody inasmuch as it did not target

or parody that book itself but merely copied its general style to make comments regarding society as a whole. Thus, a parody must target or comment in some way on the original material in order to satisfy the fair use requirement of criticism.

Reproduction of Copyrighted Works by Librarians and Educators

Pursuant to Section 108 of the Copyright Act, libraries can reproduce a work for distribution and for preservation purposes. Similarly, libraries are protected from liability for infringement for unpermitted photocopying by their patrons as long as a notice is displayed on the photocopy equipment that the making of copies may be subject to copyright law.

In 1975, Congress urged educators and publishers to meet to reach an agreement regarding permissible educational uses of copyrighted material. The result was the “Agreement on Guidelines for Classroom Copying in Not-for-Profit Educational Institutions with Respect to Books and Periodicals.” These guidelines were made part of the legislative history of the 1976 act. Some of the more notable provisions of the guidelines follow:

- Single copies of copyrighted materials (such as a chapter from a book, a short story, a chart, or an article from a journal) may be made by teachers for scholarly research or use in teaching.
- Multiple copies (not to exceed more than one copy per pupil in a course) may be made if the copying meets specified tests for brevity (the guidelines include stated criteria for the amount of work that may be copied, for example, a poem may be copied if it is fewer than 250 words) and spontaneity (the decision to use the material is made so close to the time the material is needed that it would be unreasonable to expect a reply to a request to the author to use the material); each copy includes a copyright notice; and

the cumulative effect of the copying is limited (e.g., no more than nine instances of multiple copying for one course during one class term can be made).

Similarly, music teachers and publishers met and developed “Guidelines for Educational Use of Music” to state the standards of educational fair use of music. The guidelines for books and for music are available as Circular 21 from the Copyright Office (<http://www.copyright.gov>).

Other Defenses to Infringement

Although fair use is one of the most widely asserted defenses in actions for infringement, numerous other defenses are also available.

Invalidity of Copyright or Fraud. A defendant may assert that the material sought to be protected by the plaintiff is uncopyrightable. Even if a certificate of copyright registration has been issued, the defendant may rebut the presumption of validity arising from registration and prove that the work lacks sufficient originality to be protectable and that the Copyright Office erroneously registered the work. Thus, the defendant may assert that the works are useful articles, public domain matter, common facts not subject to copyright protection, or scenes a faire (common or stock themes) that flow naturally from a premise or setting and are thus unprotectable. Moreover, works are not protected merely because they result from hard work. To be protectable, works must contain copyrightable expression. Thus, in *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991), the Supreme Court held that although a telephone company had invested a great deal of hard work or “sweat of the brow” into compiling its telephone directory, the directory was unprotectable because it was merely factual. A similar result was reached in 1998 when the Second

Circuit held that West Publishing Company's addition of certain fact-based features, such as attorney information, parallel citations, and star pagination, to cases in the public domain did not result in original copyrightable work entitled to protection. *Matthew Bender & Co. v. West Publ'g Co.*, 158 F.3d 674 (2d Cir. 1998). A defendant may also show that the plaintiff intentionally misrepresented certain facts or failed to disclose certain facts to the Copyright Office (such as that the plaintiff's work was a derivative work or a useful article), thus rendering the registration invalid.

Estoppel. A copyright owner who knows of an infringing use and acquiesces in it may be estopped or precluded from later claiming the use is an infringement, particularly when the defendant has expended sums in marketing the work.

Misuse or Unclean Hands. A plaintiff may be precluded from obtaining relief in an infringement action if it is guilty of inequitable conduct, unclean hands, or **misuse** of its copyright. For example, requiring a defendant who licenses one copyrighted work to license another or coupling a copyright license with a restrictive covenant precluding a party from developing its own original copyrighted works may be such misuse as to preclude the licensor from later asserting infringement of copyright (at least until the misuse is cured).

Lack of or Improper Copyright Notice. Lack of copyright notice may be a viable defense for works distributed before March 1, 1989, the date upon which use of a copyright notice became optional rather than mandatory. One who innocently infringes a work that does not bear a copyright notice (before March 1, 1989) is not liable for statutory damages. Moreover, Section 406 of the Copyright Act provides a complete defense to infringement

if the alleged innocent infringer is misled by a pre-Berne copyright notice (meaning, before March 1, 1989) that misidentifies the copyright owner. In one case, the plaintiff created a video and licensed it to another, the licensee, for use in schools. The video contained a copyright notice that improperly identified the licensee as the copyright owner (rather than the plaintiff, the true owner). The licensee sold copies of the video to the defendant. The defendant successfully defended the action on the basis that the copyright notice identified the licensee as the owner and that he therefore had the right to assume that such party could sell the video to him. The court agreed and found no infringement by the defendant.

Statute of Limitations and Laches. Section 507(b) of the Copyright Act provides a three-year statute of limitations on civil copyright infringement actions. The time period may be tolled or suspended if the defendant has fraudulently concealed his or her copyright infringement from the plaintiff such that the plaintiff did not know to bring an action. The three-year period is measured from the time the copyright owner knows of the violation or is chargeable with such knowledge. If the infringement is continuing in nature, the plaintiff may obtain relief for any infringing activity that occurred within the three-year limitation period.

Even if the plaintiff is within the three-year statute of limitations, however, the defendant may assert a defense of laches, namely, that the plaintiff unjustifiably delayed in bringing suit and this delay caused prejudice to the defendant. Laches typically does not excuse infringement but may preclude a plaintiff from obtaining injunctive relief.

De Minimis Defense. Another defense that may be successfully asserted is that what was taken was so small that its use should be excused. Called the **de minimis defense** (based on the Latin maxim

“de minimis non curat lex,” meaning “the law does not concern itself with trifles”), it makes certain infringements nonactionable, generally because what is taken falls below the quantitative threshold of substantial similarity to the copyrighted work. For example, the movie *Seven* displayed 10 copyrighted photographs for a few seconds. The court held that because the photographs appeared fleetingly, were severely out of focus, and virtually unidentifiable, the use of those photographs was de minimis and therefore not actionable. *Sandoval v. New Line Cinema Corp.*, 147 F.3d 215 (2d Cir. 1998).

INFRINGEMENT ACTIONS

Generally, a party who believes its copyrighted work has been infringed will send a cease and desist letter to the other party (much like the cease and desist letter used in trademark infringement matters shown in Chapter 6, Exhibit 6–4). If the parties cannot resolve their dispute amicably, they may proceed to arbitration or litigation.

The federal courts have exclusive jurisdiction over copyright infringement cases and any cases arising under the Copyright Act. Thus, infringement cases can be brought only in federal district courts and not in state courts. Some cases, however, might be heard in state court because they do not “arise under” the Copyright Act. For example, if *A* agrees to pay a license fee to *B* for use of *B*’s copyrighted song but fails to make the required payments, the matter may be heard in state court as a straightforward breach of contract matter.

Like any civil action, a copyright infringement proceeding is initiated by the filing of a complaint by the plaintiff. The clerk of the court must report the action to the Register of Copyrights. The defendant typically answers the complaint and asserts various defenses or challenges to the complaint. If the defendant has claims against the plaintiff relating to

the matter at issue, they must be made in the same action. This promotes judicial economy because the court can resolve all differences between the parties at the same time.

The action is governed by the Federal Rules of Civil Procedure. The plaintiff has the burden of proving all elements of an infringement action: ownership of copyright; copyrightable subject matter; and unauthorized use, distribution, reproduction, adaptation, performance, or display of material expression by the defendant. Discovery will be scheduled by the court, and the parties may take depositions, propound interrogatories to each other, and request that various documents and other materials be produced. If settlement is not reached, the matter will proceed to trial. Either party may demand a jury trial. Expert witnesses may testify. Ultimately, the fact finder (either the jury or the judge) will render a decision. Within one month after any final judgment, the clerk of the court must notify the Register of Copyrights of the judgment or order. An appeal may be filed in the appropriate U.S. Court of Appeals by the losing party if a prejudicial error of law occurred at the trial. Further review may be sought in the U.S. Supreme Court, although it has discretion to deny certiorari and refuse to hear the case. See Exhibit 14–2 for some highlights of recent entertainment-related infringement issues.

As is the case for trademarks and patents (see Chapters 6 and 20, respectively), as an alternative to suing for copyright infringement in court, a party whose copyrighted work has been infringed may bring a Section 337 proceeding before the International Trade Commission (ITC) to block infringing goods from entering the United States. If Section 337 has been violated (determined after an investigation and a hearing), the ITC may issue an exclusion order barring the infringing products from entry into the United States and/or may issue a cease and desist order. Although money damages are not available, the

Some of the more interesting infringement cases often arise in the entertainment industry. Consider the following show business battles:

- In 2005 a federal court ruled that the best-selling book *The Da Vinci Code* did not infringe the copyrights of a book published by another author. The court noted that although both books were mystery thrillers, the details in each book were quite different from each other and that “ideas and general literary themes themselves are unprotectable” under copyright law.
- The most frequently illegally downloaded movie is believed to be *Avatar*, which was downloaded illegally more than 16 million times in 2010.
- When an author claimed that Twentieth Century Fox’s 2005 film *Kingdom of God* infringed his book *Warriors of God*, a spokesman for Fox responded, “You cannot copyright the Crusades.”

The following works “hit” the Internet prior to their official release dates:

- U2’s album *How to Dismantle an Atomic Bomb*;
- The movies *Spider Man 3* and *The Hurt Locker*
- *Star Wars Episode III—Revenge of the Sith* (which was posted to BitTorrent, a file-sharing network); and
- Mel Gibson’s movie *Passion of the Christ*.

EXHIBIT 14–2 That’s Entertainment!

proceedings are less expensive and far more expeditious than court proceedings.

Just as registered trademarks can be recorded with the U.S. Customs and Border Protection to

block goods that bear infringing trademarks (see Chapter 6), registered copyrights can be recorded as well to block goods that infringe U.S. copyrights. (See <http://www.cbp.gov>.)

ETHICS EDGE



MAINTAINING YOUR CALENDAR

Like all litigation matters, copyright infringement litigation requires careful docketing and calendar-ing of dates. Use your office’s computerized calendar to maintain dates for discovery, court appearances, and other critical deadlines. Use a secondary system (e.g., Microsoft Outlook or a conventional calendar) as a backup. Use colored markers or sticky flags to provide visual cues of critical dates. For example, use red markers or flags for final action dates, yellow markers or flags for interim dates, and so forth. Use <http://www.timeanddate.com> to help calculate due dates.

Remedies for Infringement

Plaintiffs in infringement actions may seek both monetary and nonmonetary relief. In some instances, the plaintiff may be more interested in ensuring the infringing activity ceases than in recovering damages. Courts can use a variety of remedies to ensure the copyright owner is adequately protected:

- **Injunctive relief.** Section 502 of the Copyright Act provides that a court may grant both temporary and final injunctions to prevent or restrain infringing activities. To secure an injunction before trial, generally a plaintiff must prove that it is likely to succeed on the merits of its case; that it will suffer irreparable injury unless injunctive relief is ordered; that the threatened injury to it outweighs possible damage to the defendant; and that granting the injunction is in the public interest. If a plaintiff has delayed in seeking injunctive relief, such tends to show that there is no irreparable harm occurring and injunctive relief may be denied.
- **Impoundment.** Courts can order the **impoundment** of infringing copies during the pendency of an infringement action and may order their destruction as part of a final judgment. The plaintiff usually must post a bond so that if no infringement is found, the defendant is recompensed for the pretrial seizure of the goods.
- **Compensatory damages and profits.** Plaintiffs may recover **compensatory damages**—the actual damages suffered as a result of the infringement—and any additional profits received by the defendant arising out of the infringing activities. Actual damages should compensate the plaintiff for lost sales and revenues. To recover the infringer's profits, the plaintiff must present proof of the infringer's gross revenue, and the infringer may then prove deductible expenses and profits attributable to factors other than the infringing work. Even indirect profits may be recovered. For example, in one case, a

plaintiff recovered a portion of the defendant's hotel and gambling revenue on the basis that the performance of an infringing show in the hotel drew additional business to the hotel and casino.

- **Statutory damages.** In lieu of actual damages and profits, if the copyright owner has secured registration within three months after publication or, for unpublished works, before the defendant's infringement, a plaintiff may elect an award of **statutory damages** under Section 504(c) of the Act. The statutory damages are set by the judge or jurors in their discretion in a sum of not less than \$750 and not more than \$30,000 for infringement of one work (all the parts of a compilation or derivative work are viewed as one work). If willful infringement is shown, statutory damages may be awarded in an amount not exceeding \$150,000. If the court finds that infringement was innocent (the infringer was not aware his or her acts were infringing and had no reason to know such), the court can reduce statutory damages to an amount not lower than \$200. The election to seek statutory damages rather than actual damages and profits can be made at any time prior to entry of final judgment and is usually made in cases in which the plaintiff has difficulty proving actual damages. In one case, it was held that each unauthorized airing of a television series episode by a different station controlled by the defendant was a separate act of infringement. Because the defendant's acts were willful, damages were fixed at just over \$70,000 per act multiplied by 440 separate airings, for a total damage award to the copyright owner of \$31.7 million (plus costs and attorneys' fees). This award was made by a jury in April 1999 and is believed to be the second-highest ever award of statutory damages. *Columbia Pictures Television v. Krypton Broad. of Birmingham, Inc.*, 259 F.3d 1186 (9th Cir. 2001). The Supreme Court has held

that under the Seventh Amendment, if a party demands, there is a right to a jury trial on all issues pertinent to an award of statutory damages, including the amount itself. *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998).

- **Costs and attorneys' fees.** If registration has been secured within three months after publication of a work (or, for unpublished works, before the defendant's infringement), a court may award reasonable attorneys' fees to the prevailing party. Parties may also recover costs (e.g., expert witness fees, court filing fees, photocopy charges).
- **Criminal sanctions.** Under the No Electronic Theft Act (the NET Act) signed into law in late 1997 (17 U.S.C. § 506 and 18 U.S.C. § 2319), various criminal penalties can be imposed (with jail terms up to five years) for willful infringers who reproduce or distribute by electronic means copyrighted works of a certain value (generally, over \$1,000). Subsequent offenses can result in jail terms of up to 10 years. Fines up to \$250,000 can also be imposed under the NET Act. The NET Act strengthens prior criminal provisions to make serious copyright piracy (such as unauthorized posting of copyrighted works on the Internet) subject to criminal penalties even if there is no profit motive. Its primary purpose was to close the "LaMacchia

Loophole," named for David LaMacchia, a student at MIT who set up an electronic bulletin board from which users downloaded approximately \$1 million of free software. A copyright piracy case against LaMacchia was dismissed because LaMacchia had received no monetary compensation for the software he distributed. The NET Act also extended the statute of limitations in which criminal action may be brought from three years to five years. The Register of Copyrights testified before Congress in support of enhancing criminal penalties for copyright violations, stating that advances in technology increased the potential for copyright piracy because it is easy and inexpensive to make and distribute pirated copies without a major investment in equipment and facilities. Thus, more serious penalties were needed to deter infringers. Additionally, as discussed in Chapter 15, those who circumvent measures designed to protect certain works (e.g., by thwarting computer encryption programs) may be subject to both civil and criminal penalties.

- **Fines.** A fine up to \$2,500 may be imposed when a copyright notice is fraudulently used or removed. Making a knowingly false statement of a material fact in a copyright application may subject a person to a fine of up to \$2,500.

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- In September 2000, a district court allowed presidential candidate Ralph Nader to continue to criticize the fundraising tactics of the major parties by parodying MasterCard's "Priceless" ad campaign. The court held that the ad was a protected parody of the MasterCard ad and that Nader had made fun of MasterCard to make a political comment.
- In *Sun Trust Bank v. Houghton Mifflin Co.*, 268 F.3d 1357 (11th Cir. 2001), the Court of Appeals reversed a lower court's injunction that prohibited the publication of *The Wind Done Gone*, a parody of *Gone with the Wind*. The appellate court held that the use was highly transformative and provided social benefit and thus the author of *The Wind Done Gone* was entitled to a fair use defense. After the decision, the parties reached a private settlement and *The Wind Done Gone* was published.

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- If you are caught violating its copyright policies, Google's YouTube requires you to attend its online Copyright School to learn about copyright law.
- In 1994, singer Michael Bolton was ordered to pay \$5.4 million in damages for infringing a 1964 song called "Love Is a Wonderful Thing" by the Isley Brothers. The court found that Bolton had access to the earlier work and that the two works (which shared the same name) were substantially similar; a judgment of \$5.4 million was affirmed. *Three Boys Music Corp. v. Bolton*, 212 F.3d 477 (9th Cir. 2000).
- In November 2010, a jury awarded Oracle Corp. \$1.3 billion in damages for copyright infringement by SAP for downloading, copying, and using Oracle's software. Before it was thrown out on appeal in late 2011 as being "grossly excessive," the verdict was the largest copyright damage award in U.S. history. At the time of the writing of this text, various post-appeal motions were being heard.
- In late 2008, Mattel was awarded more than \$100 million in damages against MGA Entertainment for copyright infringement of Mattel's "Bratz" dolls. Mattel alleged it was the owner of the rights in the Bratz dolls because they were designed by a former Mattel employee (later hired by MGA) who signed an agreement before leaving Mattel, assigning all rights to any ideas conceived while employed by Mattel.

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CHAPTER SUMMARY

An infringement action may be brought by an owner of a registered copyright whenever any of his or her exclusive rights have been violated. Infringement requires that a plaintiff prove copyright ownership and impermissible copying. Copying is usually demonstrated by showing that the defendant had access to the copyrighted work and that there is substantial similarity between the copyrighted work and defendant's work.

A defendant in an infringement action may assert a variety of defenses. The most common defense raised is that the defendant's use was a "fair use" of the copyrighted work. The fair use doctrine was developed to promote scholarly and educational use of certain works. Courts examine four factors in determining whether a defendant's use is fair: the purpose and character of the use, including whether the use is for commercial or nonprofit purposes and whether the allegedly infringing use transforms the original work; the nature of the work (with factual and scholarly works receiving less protection

than works of fiction or fantasy); the amount and substantiality of the portion of work taken by the defendant (even a small taking may constitute infringement if it is the heart of the work); and the effect of the defendant's activities on the potential market for the copyrighted work. No one factor is conclusive; courts examine and weigh all factors in reaching a conclusion about infringement. Parody is a form of fair use, as are certain uses by libraries and educators.

Other defenses to infringement are invalidity of the plaintiff's copyright; estoppel to allege infringement due to the plaintiff's acquiescence in infringement; misuse or unclean hands by the plaintiff; and the statute of limitations, which provides that a civil infringement action must be brought within three years of the infringing activity.

Remedies available to a plaintiff include injunctive relief, actual damages and the defendant's profits, statutory damages (in lieu of actual damages and profits), costs, and attorneys' fees. Criminal penalties may be imposed in the case of certain willful infringements.

CASE ILLUSTRATION

FAIR USE

- Case:** *Mattel, Inc. v. Walking Mountain Productions*, 353 F.3d 792 (9th Cir. 2003)
- Facts:** Artist Thomas Forsythe posed and photographed Mattel's copyrighted Barbie doll in various absurd and often sexualized poses, claiming his photography was meant to critique the objectification of women. Mattel sued for copyright, trademark, and trade dress infringement. The district court held that Forsythe's use was a fair use and not actionable as copyright infringement (or trademark or trade dress infringement).
- Holding:** Affirmed. The court analyzed the four fair use factors and concluded the following: (1) Forsythe's work was a parody and was highly transformative; (2) because parodists almost always copy publicly known, expressive works, this second factor (the nature of the work) is not terribly significant in such cases; (3) the amount of Mattel's copyrighted figure used was justified, given the parodic nature of the work; and (4) the infringement had no discernible impact on Mattel's market. Moreover, the court noted that there is significant public benefit in allowing artistic creativity and social criticism to flourish.

CASE STUDY AND ACTIVITIES

Case Study: Neil, a noted historian, has decided to write a book about the cruise ship industry. His book will quote several short passages from Holiday's website and publications about the size of its ships, information about where the ships are built, and so forth. Additionally, Georgia, an avant garde artist, has begun displaying models of Holiday's cruise ships (the designs of which are copyrighted) at various art galleries. The ship models portray Holiday as a polluter of the seas and avaricious employer.

Activities: Discuss whether either of these activities constitutes an infringement of Holiday's rights and what defenses Neil and Georgia may assert.

ROLE OF PARALEGAL

The role of paralegals in infringement matters is similar to the role played by paralegals in other litigation matters. Intellectual property practitioners may be engaged in the following activities:

- Obtaining certified copies of certificates of registration or other documents to prove a plaintiff's ownership of copyright;
- Obtaining certified copies of applications for registration of copyrights to examine applications for misstatements to prove misuse of the copyright application procedure by a plaintiff;
- Conducting research regarding defenses that may be asserted by a defendant, especially the fair use defense;
- Preparing a cease and desist letter (or response to same);
- Drafting complaints, answers, motions, and other pleadings in infringement actions;
- Assisting in the discovery process in infringement actions (summarizing depositions, drafting interrogatories and responses to interrogatories, reviewing documents produced, examining statements related to defendant's revenues, and so forth);
- Docketing all dates relating to the litigation (dates for answers, responses to motions, responses to discovery requests, and so forth); and
- Assisting at the trial (preparing and maintaining exhibits and lists of witnesses, preparing a trial notebook, preparing jury instructions, and assisting in preparing motions and trial briefs).

INTERNET RESOURCES

Federal laws relating to copyright: <http://www.law.cornell.edu>
<http://www.gpo.gov/fdsys>

Copyright Office: <http://www.copyright.gov> (for forms, circulars, information on fair use, Guidelines for Classroom Copying, and other materials)

Information on fair use:	http://fairuse.stanford.edu (for links to cases, regulations, treaties, and articles on copyright and fair use) http://www.chillingeffects.org/copyright (Chilling Effects Clearinghouse, providing information on copyright, fair use, and parody) http://copyright.columbia.edu/copyright (for Fair Use Checklist)
Copyright Crash Course:	http://copyright.lib.utexas.edu/ (information on copyright and fair use)
General information:	http://www.findlaw.com http://www.megalaw.com

DISCUSSION QUESTIONS

1. Every semester, Joanna, a literature teacher, photocopies several poems, essays, and short stories for her students so they will not have to bear the expense of buying a large textbook. Discuss whether this conduct might constitute infringement and any defenses Joanna might assert.
2. Sam, a journalist, while reporting on a recent art theft, posed in front of Ellen's copyrighted painting. Discuss whether this conduct might constitute infringement and any defenses Sam might assert.
3. David, a well-known movie critic, recently showed three minutes of the movie *Thor* in his televised review of the movie. Discuss whether this conduct might constitute infringement and any defenses David might assert.
4. Philip, a noted historian, has written a new biography of Michelle Obama in which he quotes from some of her published speeches and op-ed articles. This content makes up about 5 per cent of the book's total content. Analyze the fair use factors and indicate whether you believe the use is infringement or fair use.
5. By written agreement, Rosa has licensed use of her copyrighted photos to Sean, for which Sean pays a monthly royalty fee to Rosa. Sean stopped paying royalties three months ago. In which court system should Rosa initiate action against Sean? Why?
6. Pam registered a copyright for her poem four months after it was first published in the *New Yorker*. The poem has been infringed. What remedies is Pam entitled to?
7. Jones & Smith, a law firm, photocopies articles about antitrust law that appear in a journal and distributes them to its attorneys and paralegals to keep them current on developments in antitrust law. Is this practice permissible or is it infringement? Discuss.

USING INTERNET RESOURCES

1. Access the website of the Copyright Office. Review the Fact Sheet entitled "Fair Use." Are the following statements true or false:
 - a. There is no specific number of words, lines, or notes that may safely be taken without permission.
 - b. Acknowledging the source of copyrighted material is a substitute for obtaining permission to reproduce the copyrighted material.

2. Access the website of the Copyright Office and review Circular 21. Assume that Leo, a high school teacher, wishes to reproduce for his students a copyrighted poem of 200 words and does not have the time before his lesson to contact the copyright owner. May Leo reproduce the poem for his students? Would your answer change if Leo wanted to copy two chapters from a book? Discuss.
3. Access the website for YouTube and review the information relating to copyright. What is the purpose of YouTube's Content Verification Program?
4. Access Columbia University's Copyright Advisory Office website at <http://copyright.columbia.edu/copyright> and locate the Fair Use Checklist. What three factors are identified that favor fair use as to the amount taken?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 15

New Developments in Copyright Law and the Semiconductor Chip Protection Act

CHAPTER OVERVIEW

Technological advances have created new forms of copyright authorship that in turn have created new issues relating to protection and dissemination of these new works. Although it is clear that computer programs and automated databases are copyrightable literary works, issues relating to copying computer programs continue to present challenges to the courts. The literal portions of computer programs (source code and object code) are protectable, but the nonliteral portions are often viewed as unprotectable useful articles, scenes a faire, or merged ideas and expressions. Reverse engineering of computer programs to create compatible programs may be acceptable, but creating identical or substantially similar programs may be infringement.

No subject in copyright law is subject to as much debate as copyright in the electronic age. The ease with which works can be viewed, copied, manipulated, reproduced, displayed, and transmitted using electronic means over the Internet has given rise to serious and legitimate concerns by authors that their works will be subject to wholesale infringement and piracy. Although some advocate that there should be no restrictions on information on the Internet, others are furiously working to develop encryption and metering devices that can track and monitor electronic use of works and charge for that use. The protection and infringement of songs and movies is of

critical interest to their authors and industries. For example, the movie *The Hurt Locker* was leaked to the Internet even before its 2009 debut. Legislation is routinely introduced in Congress to address these issues. Nevertheless, many experts believe the solutions to technology-related issues lie with education and technology rather than the courts or the legislature and that copyright protection on the Internet will be advanced by encryption and coding devices rather than piecemeal legislation or court decisions.

In 1998, the **Digital Millennium Copyright Act (DMCA)** became effective to promote electronic commerce and the distribution of digital works by providing tools and remedies to combat copyright piracy and to impose penalties on those who circumvent technological protection measures. This new act has spawned a series of court decisions and significant controversy with regard to whether the DMCA chills innovation and free speech. The DMCA also provides for registration of the designs of original boat vessel hulls.

Protection for semiconductor chips stems from the Semiconductor Chip Protection Act of 1984. The Act establishes a new form of intellectual property protection for the stencils or “masks” used to create the electronic circuitry of semiconductor chips. Although this form of protection is said to be *sui generis* (literally, “one of a kind”), mask protection draws upon many copyright principles.

Finally, although this chapter and the text provide numerous statistics about losses to the economy as a result of counterfeiting and piracy, a report prepared by the U.S. Government Accountability Office (GAO) in 2010 noted that the illicit nature of counterfeiting and piracy makes estimating the economic impact of IP infringements extremely difficult, so assumptions are often used to offset the lack of data. Each method used to estimate losses has limitations, and most experts informed the

GAO that it is difficult, if not impossible, to quantify the economy-wide impacts. Nevertheless, the GAO concluded that the problem is “sizeable.”

INTRODUCTION

Developments in technology create new industries and opportunities for reproduction and dissemination of works of authorship. Numerous new issues have arisen relating to the growth of electronic publishing, distribution, and viewing of copyrighted works. Along with new and expanded markets for works comes the ever-increasing challenge of protecting works from piracy or infringement. For example, in 2006, rapper Jay Z’s album *Kingdom Come* was leaked onto the Internet six days before its release date. Similarly, in mid-2009, bootlegged versions of the movie *X-Men Origins: Wolverine* appeared on the Internet one month before its movie-house premieres.

Both the courts and Congress continue to be faced with issues that were unimagined just a decade ago. “High-tech” legislation continues to be introduced in Congress. Courts struggle with the complexity and balance between protecting the rights of authors and promoting the progress of science and useful arts as is mandated by the Constitution. This chapter is intended to introduce some of the copyright cutting-edge and bleeding-edge issues presently confronting authors, users, legislators, and judges.

COPYRIGHT PROTECTION FOR COMPUTER PROGRAMS

Protectable Elements of Computer Programs

Computer programs have been accepted for copyright registration since the mid-1960s. In 1980, Congress followed the recommendations of the Commission on New Technological Uses of Copyrighted

Works and added a definition in the Copyright Act for the term *computer program* and a limitation on the exclusive rights of computer program authors in order to allow users to make certain adaptations to programs and to make archival copies of programs.

According to Section 101 of the Copyright Act, a **computer program** is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result. Copyright protection extends to all of the copyrightable expression embodied in the program. Copyright protection is not available for ideas, program logic, algorithms, systems, methods, concepts, or layouts. Computer programs are copyrightable as literary works, and applicants seeking registration of computer programs are encouraged to file the application for registration online, using the Copyright Office's eCO form. Note that if pictorial or graphic authorship predominates, computer programs may be registered as visual arts works rather than literary works.

Computer languages are written in specialized alphanumeric languages (such as Basic, C, or Java), called **source code**, that are human-readable. In order to operate a computer, source code must be translated into machine-readable **object code**, consisting of only two symbols, 0 and 1, which represent the alphanumeric characters of the source code. Object code cannot be read by humans. Both source code and object code are copyrightable.

Copyright protection extends to screen displays as well, if they possess copyrightable material. Screens consisting of mere menus or blank forms usually are not protectable, either because they lack original expression or because they are useful articles. In *Lotus Development Corp. v. Borland International, Inc.*, 49 F.3d 807 (1st Cir. 1995), *aff'd*, 516 U.S. 233 (1996) (mem.), the First Circuit held that the menu command hierarchy of the Lotus 1-2-3 spreadsheet was uncopyrightable subject matter inasmuch as it was a mere method of operation. The

court noted that highlighting a "p" for "print" on a computer screen was really no different from pressing a "play" button on a VCR. Such was not protectable expression.

A single registration is sufficient to protect the copyright in a computer program (or website), including related screen displays, without a separate registration for the screen displays or a specific reference to the displays in the application (much the way that a book's various chapters are registered as one work). Acceptable identifications of the work include "computer program," "computer program including artwork on screen displays," "computer programs including audiovisual materials," and "text of user's manual and computer program." These identifications will cover any copyrightable authorship contained in the computer program and screen displays.

Because most computer programs are accompanied by user manuals, the manuals may be included as part of the computer program registration, thus eliminating the need for a separate application for the manuals.

Deposit Requirements for Computer Programs

For published or unpublished computer programs, the first 25 and last 25 pages of source code should be submitted in a form visually perceptible without the aid of a machine or a device. If the program is less than 50 pages in length, all of the source code should be deposited. When filing the application electronically, the source code may be uploaded electronically.

Because computer programs often contain proprietary information and trade secrets, the Copyright Office has developed alternative deposit requirements for such works. Where a computer program contains trade secret material, a cover letter should accompany the application, stating that the claim contains trade secrets and the applicant may then comply with

alternative deposit requirements, for example, by depositing the first and last 25 pages of source code with portions containing trade secrets blocked out.

Some applicants are reluctant to deposit even blocked-out portions of source code. They may therefore apply for a registration under the Copyright Office's "rule of doubt" by submitting object code together with written confirmation that the material does contain copyrightable authorship. The Copyright Office will issue a registration on the basis of the information given by the applicant even though it is unable to examine the deposited material and determine the existence of copyrightability. If questions arise later regarding copyrightability, a court will determine whether the material is copyrightable.

Notice of Copyright

Although the form of copyright notice is the same for computer-related works as for other works (the symbol ©, the year of first publication, and the name of the owner), the location of the notice presents special issues. The Copyright Office has stated the following are acceptable placements of the notice:

- A notice with or near the title or at the end of the work, on visually perceptible printouts
- A notice that is displayed at the user's screen or terminal at sign-on
- A notice that is continuously on the screen or terminal display
- A legible notice on a label securely affixed to the copies or to a box, reel, cartridge, cassette, or other container used as a permanent receptacle for the copies

Video Games

Although the ideas underlying some video games (such as a solitaire game) are not copyrightable, certain elements of video games, such as a sequence of sounds and images, are copyrightable as audiovisual

works apart from the underlying computer program. Some infringers alleged early on that video games were not copyrightable inasmuch as player participation causes variations in games and different outcomes, and thus the works are not "fixed," but courts have held that many of the game elements remain constant and that the memory devices of games satisfy the requirement of fixation.

Revisions and Modifications to Computer Programs

Computer programs are frequently updated and revised by their authors, generally to provide additional features to users. Substantive revisions will result in a new work for which a new copyright registration should be sought. Thus, each separately published version of a computer program should be separately registered, assuming each contains a sufficient amount of new or revised authorship to sustain a claim of copyright.

Copyright owners have the exclusive right under Section 106 of the Copyright Act to reproduce their works and to prepare derivative works based on their copyrighted works. Section 117 of the Act, relating exclusively to computer programs, limits these exclusive rights by allowing a backup or archival copy to be made and allowing some modifications of programs for an owner's own use, such as improving the program or increasing its speed of performance.

Generally, a computer program is copied onto a computer every time it is used. Section 117 was added to the Copyright Act to ensure that merely loading and using a computer program after one purchased the program was not an infringement of its author's rights to reproduce a work. Section 117 provides that notwithstanding the otherwise exclusive rights of a copyright owner, it is not an infringement for the owner of a copy of a computer program to make an additional copy of the program to use

it or to make an archival or backup copy. Additionally, it is not an infringement to adapt a program if the new copy or adaptation is created as an essential step in the utilization of the computer program. Thus, Section 117 authorizes some modifications to computer programs for a purchaser's own use under the theory that having paid for a computer program, the consumer may experiment with the product and create new variations of play, for personal enjoyment, without creating an infringing derivative work. *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965 (9th Cir. 1992). In *Lewis Galoob*, the defendant manufactured a device called Game Genie to be used with Nintendo's video games that could increase the speed of a character's moves and increase the number of lives of a player's character. The court held that these were merely permissible enhancements to the copyrighted work. The device was not an unauthorized derivative work and did not physically incorporate a portion of the copyrighted work. The Game Genie was useless by itself and did not supplant demand for a component of Nintendo's works. Additionally, converting a program from one language to another to facilitate its use or adding features to a computer program for one's own needs is permissible. *Foresight Res. Corp. v. Pfortmiller*, 719 F. Supp. 1006 (D. Kan. 1989). Section 117 applies to "owners," and thus courts have held that its provisions are inapplicable to licensees of software or those who are in possession of software unlawfully.

Infringement of Computer Programs

Some of the most complex copyright cases involve the extent of protectability for computer programs. Numerous litigants have asserted that computer operating systems are not protectable inasmuch as they are uncopyrightable "processes" or "systems," expressly excluded from protection according to Section 102 of the Copyright Act. Courts generally have held otherwise, reasoning that if other

programs can be written or created that perform the same functions, then an operating system is an expression of an idea and is therefore copyrightable. If the idea cannot be expressed in any other way, however, then it is purely necessary to the purpose and is functional, and hence not copyrightable. This is the merger doctrine, discussed in Chapter 10, that provides that if an idea in a work can be expressed in only one way or a very limited number of ways, it is unprotectable inasmuch as it would be unfair to allow one party to appropriate an idea and exclude all others from using it. When an idea and its expression are so merged or inseparable that the unprotectable idea cannot be used without also using protectable expression, then use is not infringement.

Courts have struggled with infringement issues in computer-related cases, in part because the issues are often technical, unfamiliar, and complex. Thus, experts are usually relied upon rather than the "ordinary observer" commonly referred to in other infringement actions. Moreover, unlike songs and books, which are highly creative, computer programs are usually task-oriented, performing very specific and utilitarian functions. Historically, "useful articles" are excluded from copyright protection.

Some courts have expressly recognized that many computer programs are by nature hybrids: Although they include literary expression, they are also utilitarian articles inasmuch as their purpose is to accomplish tasks. See *Computer Assoc. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992). Thus, functional commands and aspects are unprotectable. Based on the merger doctrine, courts have held that when specific instructions are the only means of accomplishing a given task, another may use them without infringing the original work.

Moreover, many cases involving computer-related works have held that certain elements are unprotectable inasmuch as they are standard or stock scenes a faire (literally, "scenes which must be done"). Thus, hardware and software standards, mechanical

specifications, industry programming practices, and compatibility requirements have been held to be unprotectable scenes a faire since they are expressions dictated by external factors and their creation is the natural product of such external considerations.

Most courts have used the “abstraction-filtration-comparison” test discussed in Chapter 14 in determining whether infringement of computer programs has occurred. A court will abstract or dissect the allegedly infringed program’s structure, filter out the unprotectable elements (such as processes, facts, merger material, and scenes a faire), and then compare the remaining protectable elements of the two works to determine whether infringement exists. *Id.* Other courts focus on the idea-expression dichotomy and hold that only those elements not necessary to the purpose or function of the work are protectable expression.

Early cases often involved nearly identical copying of code (often referred to as “literal copying”), and courts found it easy to determine that in such cases infringement had occurred. Analogizing computer programs to other textual works, such as books, which could be infringed even without literal copying (namely, by paraphrasing), courts then extended copyright protection to the structure, sequence, and organization of programs, namely the nonliteral elements of a program. See, e.g., *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222 (3d Cir. 1986).

Later cases have involved less clear-cut issues, such as copying functional elements of programs. Many of these cases involve **reverse engineering**, or disassembling a computer program to understand its functional elements. In *Sega Enterprises, Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1993), the defendant reverse engineered Sega’s video game programs in order to make its own video games that would be compatible with Sega’s console into which the defendant’s game cartridges were inserted. The Ninth Circuit held that such was permissible

because the defendant had copied Sega’s software solely in order to discover the functional elements for compatibility with Sega’s console, elements of Sega’s programs that were not protectable by copyright. The court held that where disassembly is the only way to gain understanding and access to the unprotected ideas and functional elements embodied in a copyrighted program and where there is a legitimate reason for seeking such access, such disassembly is a fair use of the copyrighted work.

Many experts interpret *Sega* as part of a growing trend of courts to limit the scope of copyright protection for computer programs, particularly for the functional elements of programs. Thus, many owners seek patent protection for their computer programs (see Chapter 21). Nevertheless, although efforts can be undertaken to understand a work’s ideas, processes, and methods of operation (all unprotectable functional aspects of a computer program), if the final program produced by the “engineer” is substantially similar to the original work, infringement may be found.

Under Section 117 of the Copyright Act, owners of a computer program are specifically authorized to make backup copies of their programs and load the program onto a computer’s hard drive from a floppy disk or CD-ROM. They cannot, however, make copies for purposes of commercial distribution.

Licensing of Computer Programs

Due to the ease of copying computer programs (allowing numerous users to share one purchased program) and due to the first sale doctrine (allowing the owner/purchaser of a copy to sell or rent it to others), makers of software programs became concerned over piracy and potential loss of revenues. To remedy the problem, they implemented the practice of licensing their programs. Software purchased over the counter is thus not typically “sold” by the maker but rather “licensed” by the

maker to the user/purchaser. Such a license is often called a **shrink-wrap license** because opening the plastic wrapping on the package immediately subjects the user/purchaser to the terms of the license agreement. A notice to this effect is placed on or in the box or packaging, and a method for returning the software is usually provided if the user/licensee objects to the license terms. Courts generally have held that such licenses are valid contracts enforceable under the principles of contract law unless their terms are objectionable on grounds applicable to contracts in general, for example, if they are unconscionable. *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996).

The license agreements contain warranties and the terms and conditions under which the user/licensee can use the software and make it clear that violation of any of the terms, such as loading the software into more than one computer or decompiling it, constitutes infringement. Because the transaction is a license rather than a sale, no “first sale” concerns are implicated, and the user/licensee cannot resell or rent the software to another inasmuch as there was no “sale” to him or her in the first instance.

In many cases, software is licensed electronically; this license agreement is referred to as a **click-wrap license**, since the license terms and conditions come into existence when the user/licensee clicks an icon displayed on a computer screen to indicate “purchase” or license of the work per the stated terms. Such click-wrap licenses may not be valid unless the computer screens display reasonably conspicuous notice of the existence of the contractual terms and require the user or licensee to unambiguously manifest agreement to those terms. Asking users to show assent by clicking “OK” or “I agree” before proceeding shows assent to an agreement; however, a process allowing users to download software without first viewing an agreement or even being made aware of its existence does not show assent.

Section 117 of the Copyright Act, allowing owners of copies of computer programs to make a new copy or adaptation if necessary to use the program or to make an archival or backup copy, is limited to “owners” and is thus not applicable to licensees under shrink-wrap or click-wrap license agreements. Most software makers/ licensors, however, typically include as a term of the license a provision substantially similar to Section 117, allowing the user/licensee to make a new copy or adaptation if necessary to enable the use for which the software was obtained or for archival purposes. The Digital Millennium Copyright Act (discussed later) allows software developers who have lawfully obtained the right to use a computer program to reverse engineer it to analyze the elements necessary to achieve interoperability of an independently created computer program. Additionally, either owners or licensees can make a copy of a computer program for purposes of maintaining or repairing the computer hardware.

Piracy of Software

In addition to the complex legal issues surrounding protection and infringement of computer-related works, there are significant economic issues as well. The Business Software Association has estimated that software piracy caused a loss of revenue of nearly \$9.5 billion in 2010 in the United States alone. One expert has estimated that there may be nearly 50,000 sites on the Internet that offer software illegally. Piracy of other content is also rampant. Just the day after the film *Titanic* won several Oscar awards, 50 separate websites offered illegal copies of the film. One of the most common types of software piracy is **softlifting**, or making unauthorized copies of a licensed software program (often for a home computer, fellow employee, family, or friends). According to the Institute for Policy Innovation, the economic effect of computer piracy in the United States alone is reportedly more than \$58 billion per year, costing

350,000 jobs. Consequently, many companies, notably Microsoft Corporation, are stepping up their crusades against software piracy, both through educational programs and legal action. Microsoft's biggest counterfeiting operation in mid-2007 in China resulted in a seizure of about \$2 billion of counterfeit MICROSOFT® software. To ensure the legitimacy of its software, Microsoft embeds a special type of thread in each "certificate of authenticity" label placed on boxes of its software and computers. Yet Microsoft investigators have found counterfeit thread, and in 2007, the State of Georgia sentenced a man to prison for three years and fined him \$25,000 for distributing illicit certificates of authenticity in the first prosecution under a new U.S. statute that criminalizes trafficking in illicit labels.

Software makers often join one of two associations: the Software & Information Industry Association (SIIA, formerly the Software Publishers Association), or the Business Software Alliance (BSA). They exist to educate businesses about copyrights in software and to locate infringers. The SIIA has more than 800 members and represents the software and digital content industries. The BSA was formed in the late 1980s, and some of its members are Apple, Dell, Intel, and Microsoft. Generally, it represents the interests of the leading makers of software for personal computers. It has filed hundreds of lawsuits for software infringement, asking for restraining orders and audits of a company's computers to locate pirated software. Most lawsuits are settled out of court, with the infringers paying the retail value of the software and replacing the pirated software. In other cases, damages have been assessed in the millions of dollars. Both BSA and SIIA have hotline numbers to report infringement, and in many instances, disgruntled former employees report infringement by their former employers. Both companies offer significant rewards to those who report verifiable instances of piracy. For example, in 2008, SIIA was tipped off to a company's illegal use of

software through its reward program and obtained a \$500,000 settlement from the offending company. Visiting technicians to companies and temporary employees also tend to report infringement.

The BSA offers a publication to help businesses implement antipiracy programs. Access <http://www.bsa.org> and search for *Software Management Guide*. The SIIA also offers a variety of educational materials and audit tools. Write to SIIA at 1090 Vermont Avenue NW, Washington, DC 20005.

Although software piracy is of great concern in the United States, it is estimated that most loss from computer piracy arises in foreign countries due to their lax enforcement practices and laws. For example, until 1998, software piracy was not a crime in Argentina or Brazil. The BSA has rated the nation of Georgia as having a piracy percentage of 93 percent, meaning that for every 100 software programs sold, 93 are pirated. The United States has a piracy rate of 20 percent, the lowest in the world. The U.S. Trade Representative (USTR) attempts to work with offending countries to secure their commitment to protect copyrighted works by placing countries on intellectual property "watch lists," which can lead to trade restrictions and sanctions. Countries on the 2011 priority watch list include Algeria, Pakistan, Venezuela, Russia, Canada, and China. Once a country is placed on a watch list, an investigation is initiated to determine whether tariffs or trade restrictions should be imposed on the offending country. The USTR also releases an annual list of "notorious" Internet and physical markets, and in 2011 identified Chinese website Taobao and Swedish website The Pirate Bay as "notorious markets for piracy."

COPYRIGHT PROTECTION FOR AUTOMATED DATABASES

According to the Copyright Office, an **automated database** is a body of facts, data, or other information assembled into an organized format suitable for

use in a computer and comprising one or more files. An automated database is a compilation because it is formed by collecting and assembling preexisting materials or data. Although there is no specific reference to automated databases anywhere in the Copyright Act, they are viewed as types of literary works subject to copyright protection. An example of an automated database is Westlaw's database of federal court cases. Although the cases themselves are government works in the public domain, West's arrangement of those cases qualifies for copyright protection as a compilation.

Automated databases will not receive protection if there is no original authorship in the selection and ordering of the data, such as is the case in merely transferring data from hardcopy to computer storage.

The Copyright Office provides specific information about copyright registration for automated databases in its Circular 65, available on the Internet at <http://www.copyright.gov>.

In April 1998, the United States sponsored a conference on database protection to discuss providing additional protection to databases. Additionally, on several occasions, Congress has considered (but never passed) legislation that would protect databases created through a substantial investment of time and money (a provision that would effectively overrule *Feist*, which held that a database work, namely, an alphabetical telephone directory, was not protectable merely because it was the result of "sweat of the brow"). Thus, protection would be provided for realtors' home listings, stock quotations, and certain case reports. Certain databases containing information for educational, scientific, research, and newsgathering purposes (namely, fair uses) would be exempt. Such protection would harmonize U.S. law with that of many of the European Union countries, which provide some protection to noncreative compilations of material. As discussed in Chapter 16, the issue of providing enhanced protection to databases

is the subject of both national and international debate and discussion, with no present resolution in regard to the extent to which databases should be protected. Generally, however, companies that have been damaged because their databases were infringed have been successful in court, leading some experts to say this shows that no dramatic new legislation relating to database protection is needed.

In recent years, some experts have wondered whether owners of information have overreached in their efforts to protect information. For example, in 2005, Major League Baseball challenged a sports fantasy league's use of baseball statistics. In August 2006, the Eastern District of Missouri ruled that Major League Baseball could not prohibit a sports fantasy league from using player names and records because the information was purely factual and First Amendment free speech rights took precedence over the players' rights of publicity.

COPYRIGHT IN THE ELECTRONIC AGE

Introduction

There is a dynamic tension inherent in copyright law: The rights of authors and creators to protect their works and reap the benefits of their creations must be balanced against the right of the public to have access to information. Nowhere is that tension more pronounced than in the discussion of copyright in cyberspace. It is amazingly easy to make electronic copies of works and then transmit those works to others using digital media. Using our computers, we are capable of retrieving, storing, revising, and disseminating vast amounts of information created by others with a single keystroke. There are few mechanical or economic restrictions precluding or restricting the free flow of information in cyberspace.

On one side of a vigorous debate are the adherents to the "Dyson model," named after Esther

Dyson, former board member emeritus of the Electronic Frontier Foundation, who believe that “information wants to be free,” meaning that the logical product of the Internet and our global communications capacities is unrestricted dissemination of information. Widespread access to information is beneficial to the research, educational, and scientific communities, all benefiting the public interest. On the other side of the debate are authors and creators of works who fear that unrestricted access to their works on the Internet will impair the value of their works, cause a loss of revenue to them, and ultimately discourage creation of work. If authors fear loss of protection, they will not create work, and the public will then receive no benefit.

The Copyright Act has been liberally written to encompass new technologies, as seen in the reference in Section 102 that copyright protection subsists in original works of authorship fixed in any tangible medium of expression, *now known or later developed*. Nevertheless, although the Copyright Act anticipates emerging technologies, developments of the past several years have been so unexpected and rapid that many experts believe additional amendments to the Copyright Act may be necessary.

Issues Confronting Cyberspace Users

Some of the issues presently facing authors, consumers, and Internet service providers (such as Google or AOL) are the following:

- Should individuals browsing information offered on the Internet be required to obtain the author’s permission before: viewing the information; saving the information; transmitting it to others; revising the material; making a hard-copy of or printing the information; or reproducing the information in another form, such as in a newsletter? At least one court has held that a company that downloaded copyrighted material from a website to post on an internal intranet was liable for copyright infringement. *Marobie-FL v. Nat’l Ass’n of Fire Equip. Distribs.*, 983 F. Supp. 1167 (N.D. Ill. 1997).
 - Should the owner of a digital version of a copyrighted work be permitted to disseminate that information to another under the first sale doctrine? At present, the first sale doctrine has not been expanded to permit digital transmission of copies of copyrighted works, and the Copyright Office’s Registrar has testified to Congress against adopting a digital first sale provision. Thus, if you buy a book in conventional print form, the first sale doctrine allows you to later resell it or give it away; however, if you buy the same book in digital format, you cannot resell it or give it away (unless the seller or licensor allow you to do so) because there is no digital first sale doctrine.
 - Is placing information (or “uploading”) on the Internet a dedication to the public domain such that anyone can thereafter use, reproduce, adapt, or display the information for any purpose?
 - Is posting information on a bulletin board system a “performance” of a copyrighted work?
 - Is quoting material from others in a chat room infringement?
 - Should the U.S. government be able to restrict exports of the most powerful encryption software unless the maker of the software provides the government with a decoding key or “back door” so the government can fight organized crime and terrorism?
 - Should the U.S. government be able to shut down “rogue” websites that that engage in or facilitate illegal online activity?
- A common thread running through all of these issues is whether the Copyright Act should be amended to address these issues or whether the courts should resolve these questions on a case-by-case basis.

Copyright Notices in the Electronic Age

Two-dimensional works are easily converted to digitized form (a series of zeroes and ones) and can then be easily and rapidly reproduced (with each “copy” identical in quality to the original) and transmitted to others with just a few keystrokes. They may be posted on a bulletin board where thousands of individuals can have access to them. These works can be changed by modifications and by combining them with other works (such as the addition of lyrics written by one party to music written by another), blurring ownership rights. Just one unauthorized uploading of an author’s work onto a bulletin board could have a devastating effect on the market for that author’s work.

Thus, authors concerned about unauthorized adaptation, reproduction, or dissemination of their works by electronic means can include notices with their works to remind users that further reproduction or transmission is unauthorized and may constitute infringement. Some notices often used on websites or with online communications are as follows:

- © 2011 John Doe. Copying, transmitting, reproducing, or archiving this work in any media or by any means for other than personal use without express permission of John Doe is prohibited and may constitute copyright infringement.
- Access to and use of this website is subject to the following terms and conditions: You may browse this site only for information and entertainment use; you may not modify, transmit, or revise the contents of this site without the owner’s written permission; any communication you post to this site will be treated as non-confidential; you may not post or transmit any unlawful or defamatory material; your use of the site constitutes acceptance of these terms.
- This website contains links to other sites. Such links are not affiliations with or endorsements of other sites or the products or services offered by or through such sites.
- © 2011 Jane Roe. The user or viewer of this work is hereby granted an express nonexclusive license to reproduce the work, display, transmit, and distribute it by all means and in any media.
- Those individuals who post messages or works to this list own the copyrights to the messages or works; however, they grant a nonexclusive license to the list owner to reproduce, transmit, forward, and archive any messages or works posted to this list.
- You may print or download information from the contents of this website for your personal and noncommercial use only.
- You may not forward or otherwise transmit any of my communications without prior written permission.

Although these notices will not preclude infringement, they may assist an author in obtaining damages for willful infringement or, alternatively, clarify that the work may be freely disseminated.

Digital Rights Management

Because it is impossible to sue every person who infringes copyright by downloading music, movies, or other content over the Internet or by using digital works, numerous technologies have been introduced to protect digital works (including music purchased online and DVDs) from unauthorized copying and reproduction. These technologies are generally referred to as **digital rights management** (DRM) or “copyright rights management.” Some DRM methods are relatively benign (such as servers that are set to block offending e-mail, software that protects sensitive financial or private data from theft, or the notice you may encounter when you view material online that states, “Sorry, this file is

read-only”). Other DRM techniques used to thwart piracy include the following:

- “Metering” each use of a copyrighted work so that viewers are required to pay for viewing or distributing the work
- Installing encryption devices or software that preclude copying or distribution of copyrighted works (unless authorized and “unlocked,” usually by a “key,” some of which are time-limited)
- Making “one use” DVDs or DVDs that self-destruct after a period of time
- Verifying the authenticity of a disc or other work by means of a seal, often a difficult-to-replicate hologram, which verifies the authenticity of the CD and alerts users to counterfeit copies
- Placing “spoof” or dummy files on the Internet so that when would-be pirates download content, they obtain a spoof, containing silence, repetitive loops of lyrics, spyware, or viruses, all intended to deter and annoy pirates
- Installing digital watermarks to identify a file’s copyright owner and its rights and prohibit copying (and to track the source of leaks and dissemination of content, such as movies)
- Releasing Web robots or spiders to scour the Internet to find and attack infringing uses
- Protecting works through the use of passwords and requiring users to agree to certain terms and conditions before viewing materials
- Using lockdown technology tools that analyze information on a computer and block access to certain software if it is suspected that the product was illegally copied

In a reversal of the recording industry’s initial reliance on DRM, most online offerors of music (including Sony BMG and Apple iTunes) now offer their music online without DRM, and DRM-free music is now the industry standard. Thus, music files in the MP3 format can be copied to various computers and played on most digital music players (just

as a DVD purchased from a store can be played on any DVD machine, regardless of its manufacturer). Experts believe that copy protection software for music created consumer confusion over the jumble of incompatible schemes governing the use of digital music players and also produced poor-quality music. Nevertheless, most computer games and movies continue to carry copy protection, and Apple continues to use its FairPlay DRM technology to protect books sold for its iPads from being played on unauthorized computers.

Moreover, nearly as soon as content owners create new forms of DRM, hackers find ways to disable or circumvent them, even if such acts are violations of the DMCA. For example, file hosting service Hotfile has been sued by the Motion Picture Association of America for offering “cyberlockers” (file hosting and file sharing services) allegedly so people can store pirated movies. MPAA’s complaint alleges that Hotfile incentivizes uploaders to send popular files to it by paying them once the file has been downloaded by others 1,000 times, thus showing a clear intent to induce infringement.

Another DRM-related copyright issue is that relating to the **broadcast flag**, a type of watermark or DRM code that would be required to be embedded into digital television receivers that would “flag” whether a program could be recorded or not. After the FCC mandated the use of broadcast flags in 2003, a court rejected the regulations. Most experts expect the battle over raising the broadcast flag to be played out in Congress, with content owners arguing for the flags and others arguing that they would stifle innovative devices. Some critics have questioned whether content owners are overreaching, noting that a device that will not let you skip trailers when you rent a DVD has nothing to do with copyright protection (and everything to do with advertising).

The dark side of DRM was revealed in 2005 when it was discovered that Sony sold millions of music CDs with hidden files that could damage a

user's operating system, install spyware, and render the user's computer vulnerable to attacks by third parties and viruses. After a class action lawsuit, Sony agreed to a settlement with consumers.

Specific proposals to deter piracy are discussed later in this chapter.

Practical Dos and Don'ts

Because of the uncertainty inherent in viewing, archiving, transmitting, reproducing, downloading, uploading, and otherwise using digital information on the Internet, following are some practical pointers and guidelines for copyright compliance in the electronic age:

- Even attributing quotes to their authors may not protect against a claim of infringement. When on the Internet, do not quote from, transmit, copy, alter, archive, or reproduce others' works without permission (unless such use is a fair use).
- Review material placed on the Internet for permissions; in many cases, authors have already granted limited permissions or licenses for others to use and view the materials. Unless permission is given, all material on the Internet, especially software, should be considered copyrighted work. Therefore, software should not be downloaded or modified without permission from the copyright holder. Similarly, downloading and printing an article you find for your personal use may be appropriate; however, printing multiple copies of the article and distributing them to others without permission likely violates the owner's exclusive copyright rights under *American Geophysical* (see Chapter 14). Although such acts are infringements, copyright violations are common.
- Do not place any documents or materials from clients or your employer on the Internet without permission and without including a copyright notice.
- Newsgroup and e-mail postings are not always in the public domain. The safest course may be to forward postings only with permission (although some people believe that posting messages is an implied license to either archive or to forward those messages to others).
- Do not copy material (whether text, music, or graphics) from another's Web page without permission, and do not combine items from others' Web pages to create a Web page.
- Ask permission before establishing links to others' sites, and indicate that links to unaffiliated sites are so unaffiliated to avoid presumed sponsorship of others.
- Place copyright notices on all websites and on all original works.

THE DIGITAL MILLENNIUM COPYRIGHT ACT

Introduction

In 1998, Congress enacted the Digital Millennium Copyright Act (DMCA), 17 U.S.C. § 1201 *et seq.*, to move the nation's copyright law into the digital age. Because piracy of digital content is so easily accomplished, Congress sought to expand copyright protection for digital works by ensuring that copyright protection tools (such as encryption technology) could not be circumvented. Additionally, the DMCA sought to update U.S. copyright law to prepare for ratification of various WIPO treaties (see Chapter 16). Some experts have stated that the DMCA represents the most comprehensive copyright reform in a generation.

Some of the most significant provisions of the DMCA are as follows:

- Prohibitions against acts that circumvent technological protection measures

- Provisions forbidding trafficking in products or technology that are used in circumventing copyright protection measures
- Provisions forbidding removal or tampering with copyright management information (e.g., removal of digital watermarks)
- Safe harbor provisions insulating online service providers (such as Google and Yahoo!) from liability for acts such as transmitting or linking to unauthorized content (if the provider meets certain criteria such as adopting policies to terminate service of copyright offenders and removing infringing material upon receiving a *takedown notice* from the copyright owner)

The most frequently used part of the DMCA relates to the safe harbor granted to online or Internet service providers (ISPs) under 17 U.S.C. § 512(c). Following is an example of how the takedown procedure works:

- Assume that Paramount Pictures believes that counterfeit DVDs of its movie *Thor* are being sold by Smith on eBay. Paramount must send a notice, under penalty of perjury, to an agent designated by eBay (filed with the Copyright Office) to receive the notice. The notice must comply with the requirements of 17 U.S.C. § 512(c)(3).
- If eBay “expeditiously” blocks or disables access to the material, it is immune from liability under the safe harbor provisions. eBay will notify Smith that it has blocked access.
- If Smith believes that *Thor* was mistakenly removed or blocked, he or she may send a counter-notice to eBay alleging such. Unless Paramount files an action seeking a court order against Smith, eBay must put the material back up within 10–14 business days after receiving the counter notification.

The DMCA expressly authorizes reverse engineering of computer programs (but not of hardware).

Both civil and criminal penalties can be imposed for violations of the DMCA.

The DMCA has met with a great deal of criticism from electronics manufacturers, computer scientists, researchers, and libraries that are concerned that the Act may chill freedom of expression. For example, the American Library Association’s website states that under the DMCA, “the doctrine of ‘fair use’ has never been more threatened. . . .” These individuals and entities oppose the DMCA’s takedown provisions, alleging that content is often removed from websites based on a “mere allegation” that it infringes another’s rights, often chilling free speech and valid criticism. For example, in *Lenz v. Universal Music Corp.*, 572 F. Supp. 2d 1150 (N.D. Cal. 2008), the plaintiff, Lenz, uploaded a video to YouTube of her children dancing to Prince’s song “Let’s Get Crazy.” The copyright owner sent a takedown notice and YouTube removed the video. The plaintiff sent a counter-notice, alleging that the video was a fair use of the song, and YouTube re-posted the video. The plaintiff alleged and the court agreed that copyright owners must consider whether material is a fair use before issuing a takedown notice.

Content owners are likewise opposed to many of the DMCA’s provisions, arguing that it simply doesn’t protect them against the ever-expanding number of sites that offer infringing content. Content owners thus prefer either tougher legislation or informal arrangements with online service providers such as Google that would require the service providers to crack down on piracy. Finally, the Internet service providers are also often unhappy with the DMCA. For example, Google has stated that 57 percent of the takedown notices it has received under the DMCA were not valid copyright claims but rather sent by businesses trying to undermine a competitor. Thus, the DMCA remains highly controversial and hotly debated, even nearly 15 years after its passage.

Issues Arising under the DMCA

Numerous interesting cases and issues have arisen under the DMCA, including the following:

- **DeCSS technology.** DeCSS is a software program created by a 15-year-old computer hacker that enables users to descramble the encryption code that prohibits the copying of DVDs. In *Universal City Studios v. Reimerdes*, 111 F. Supp. 2d 294 (S.D.N.Y. 2000), *aff'd*, 273 F.3d 429 (2d Cir. 2001), eight motion picture studios sued a journalist to enjoin him from using his website to make available the DeCSS software program. The court held that dissemination of DeCSS violated the DMCA. The defendant was not only enjoined from offering DeCSS on his own website but was enjoined from offering links to other sites where DeCSS could be found. Although the defendant argued that he had a First Amendment right to offer the software program, the court held that disseminating the program violated the anti-trafficking and antidecryption provisions of the DMCA. Additionally, the court found that dissemination of DeCSS was neither a fair use nor acceptable reverse engineering under the DMCA.
- **First Amendment issues.** In 2001, a university professor at Princeton University planned to publish a paper explaining methods he had used to defeat certain DRM schemes, and was threatened with litigation under the DMCA. The professor withdrew his presentation, a decision that arguably chilled free speech. Similarly, in 2003, a graduate student was threatened with a DMCA lawsuit after publishing a report documenting flaws in a DRM program. In response to a Copyright Office recommendation, in 2006 a regulation was promulgated that provides an exemption from liability under the DMCA for those who may circumvent DRM methods for the purpose of testing, studying, or correcting flaws. 37 C.F.R. § 201.40 (2007).

- **Online service providers and the DMCA's "safe harbor."** In 2000, a San Francisco court held that the online service provider eBay was not liable for auctioning sound recordings on its Internet website that might infringe copyrights of others. The court held that imposing liability on eBay for the sale of bootleg recordings would place an unjustifiable burden on eBay and would likely force it to cease or restrict its operations. Similarly, in 2002, a California appeals court held that eBay was not liable for the sale of fake sports memorabilia on its auction site. These and other courts have ruled that eBay does not have the ability or right to control infringing activity, a standard required for liability to be imposed under the DMCA. Moreover, eBay generally qualifies for the "safe harbor" provisions of the DMCA because it will remove or block access to offers to sell infringing materials (including music, movies, and artwork) when it receives an appropriate takedown notice. Many online service providers, including eBay, engage in voluntary monitoring of their sites to locate infringing material.

In a closely watched case, in 2007, Viacom sued Google-owned YouTube for \$1 billion for allowing its users to upload copyrighted videos and other content to the YouTube website. In 2010, a federal court ruled that YouTube was entitled to the DMCA's "safe harbor" provisions because it promptly removed pirated content when requested to do so by copyright owners and its mere generalized knowledge of infringing activity was not enough to impose liability on YouTube. The *YouTube* case built upon the ruling in *UMG Recordings, Inc. v. Veoh Networks Inc.*, 665 F. Supp. 2d 1099 (C.D. Cal. 2009), involving Veoh, an Internet video sharing website, *aff'd*, No. 09-55902, 2011 WL 6357788 (9th Cir. Dec. 20, 2011), in which the district court held that Veoh was not liable for direct, vicarious, or contributory copyright infringement and

was entitled to the safe harbor provisions of the DMCA because it expeditiously removed infringing material when it acquired knowledge of such. Internet service providers thus qualify for the safe harbor provisions in the DMCA unless they turn a blind eye to “red flags” that indicate obvious infringement. The ruling in *YouTube* is entirely consistent with (and cited) *Tiffany(NJ) Inc. v. eBay Inc.* (see Chapter 6), which held that eBay was not liable for trademark infringement when counterfeit Tiffany merchandise was offered for sale on eBay. Liability could not be imposed unless eBay knew or had reason to know of specific instances of infringement; generalized knowledge is insufficient to impose liability on an Internet service provider. At the time of the writing of this text, an appeal of the *YouTube* decision was pending. (See Case Illustration at the end of this chapter for additional information about the *YouTube* case.)

- **Webcasts.** The DMCA requires radio stations to pay royalties to music performers when broadcasts or **webcasts** are transmitted over the Internet, a practice called **streaming**. The Copyright Royalty Board has established statutory royalty fees for these Internet radio stations and webcasters. Thus, radio broadcasters that simultaneously offer Internet transmission of their radio programs must pay the statutorily set fees (unless they enter into voluntary agreements to pay royalties). As discussed in Chapter 11, terrestrial AM and FM radio stations pay royalties to composers and authors of songs (usually through ASCAP, BMI, or SESAC) but do not pay artists and labels for *sound recordings*. Thus, webcasters have vigorously objected to what they perceive as “double royalty payments” and argue that if they have to pay sound recording royalties to broadcast on the Internet or via satellite (which royalties are collected and distributed to the owners of sound recordings by SoundExchange), then AM and FM radio

stations should also have to pay such royalties. As also noted in Chapter 11, the White House favors legislation giving sound recording owners public performance rights when their sound recordings are played on AM or FM radio.

Court cases continue to challenge the DMCA’s provisions, and Congress is routinely asked to amend some of its provisions. Additionally, the DMCA mandates that various studies and reports be conducted by the U.S. Copyright Office on the effects of the DMCA. Specifically, the Copyright Office conducts proceedings every three years to determine if certain works should be exempt from the DMCA’s provisions prohibiting circumvention of DRM. In July 2010, the Copyright Office ruled that owners of Apple’s iPhones could unlock the device to use applications not sold through Apple’s own “app store.” Known as “jailbreaking,” the practice allows users of the iPhone to lawfully download applications that aren’t approved by Apple. Although the practice is now confirmed as legal, Apple often voids the warranties of jailbroken phones. The Copyright Office also allowed bypassing the anticopyright technology used in DVDs for documentary filmmaking, noncommercial videos, and educational uses. Thus, consumers can engage in “vidding,” or breaking DVD controls to extract snippets of copyrighted movies to incorporate them into new works, so long as the new creation is a fair use and is noncommercial. These periodic reports of the Copyright Office relating to the DMCA are available at <http://www.copyright.gov>.

Numerous scholars and experts have questioned whether the DMCA and DRM measures have gone too far. One 2004 study by economists concluded that the oft-cited decrease in CD sales was unrelated to piracy and that downloading tunes actually increased sales of popular CDs. The authors concluded that CD sales have been declining due to economic reasons, boring radio playlists, a reduction in the number of CDs released, and possible consumer backlash against the recording industry.

With critics asserting that the DMCA has been used to stifle competition and intimidate researchers and that digital file sharing and piracy have continued to increase even after passage of the DMCA, some experts have called for changes to the DMCA. Others are concerned about our “clearance culture,” in which it is becoming increasingly difficult and expensive to obtain access or permission to use copyrighted material, squelching creativity. For example, one filmmaker has theorized that the History Channel shows a preponderance of World War II documentaries because the film footage is in the public domain and filmmakers need not obtain copyright clearances.

ENTERTAINMENT NOTES

Introduction

The music industry has likely been the hardest hit by technology that enables consumers to swap or share copyrighted songs over personal computers, thus eliminating the need to buy records or CDs. Surveys suggest that more blank CDs are sold in the United States than recorded ones. Sales of albums and CDs in the United States have continually decreased over the past several years. The Recording Industry Association of America has reported that approximately 30 billion songs were illegally downloaded from 2004 through 2009 and that the estimated annual loss in the United States due to music piracy is \$12.5 billion.

The battle to stop music piracy is fought principally by the Recording Industry Association of America (RIAA). Initially, the RIAA’s strategy focused on peer-to-peer music swapping services, such as Napster, developed in 1999 by a college student. RIAA later broadened its focus by pursuing companies, universities, and individual users while simultaneously seeking legislative assistance from Congress in stopping piracy. One of RIAA’s chief obstacles, however, is that surveys continually show that users who download music from the Internet do not perceive it as “theft” and the widespread practice of music piracy may be nearly impossible to control.

In fact, a 2006 study revealed that more than one-half of all college students download music and movies illegally. The RIAA has thus strengthened both its deterrence and education efforts aimed at universities and students.

Napster and MyMP3.com

Napster’s software enabled users to search the computer drives of thousands of other users for music files. The users could select songs from vast music repertoires and download copyrighted songs from one another’s computers rather than by way of another’s server, a practice often called **peer-to-peer file sharing**. Napster’s popularity was immediate, and nearly every college student and teenager was easily able to download copyrighted songs and make his or her own CDs.



TRACKING LEGISLATION

Because bills are introduced each year that may affect clients’ rights, you will need to monitor and track this pending legislation. Both Lexis and Westlaw not only provide the text of pending legislation but also can monitor developments and notify you by e-mail of updates and changes. Use Lexis’s Alert service or Westlaw’s WestClip service to track and keep informed of legislation relating to IP issues. Similarly, the Copyright Office’s website allows you to select “Legislative Developments” to link to legislation relating to copyright issues.

The RIAA and various record labels sued Napster in late 1999 in the U.S. District Court in San Francisco for copyright infringement. After a series of court skirmishes, most of which resulted in rulings against Napster, Napster's site was ordered shut down and it agreed to pay certain damages to some of the plaintiffs. Napster also entered into agreements with some of the record labels in an effort to launch a secure music subscription service. Napster ultimately filed for Chapter 11 bankruptcy in mid-2002 and its assets were later auctioned. Napster was officially shut down in September 2002. In late 2003, Napster was reestablished as a paid subscription service.

The RIAA and Universal Music Corp. also sued MP3 Board, Inc., which provided a service called "MyMP3.com," allowing subscribers to develop a digital music "locker" from which they could access sound recordings. In 2002, the U.S. District Court for the Southern District of New York ruled that the service was a violation of copyright law. Court cases involving Napster and MyMP3.com easily found that the services were not fair uses of copyrighted material and that the services were not entitled to the safe harbor provisions immunizing online service providers under the DMCA.

The Grokster Case

Although the RIAA prevailed in its cases against Napster and MyMP3.com, the offending services were immediately replaced by other music swapping services, among them, Kazaa, Morpheus, and Grokster, which gained millions of users. Shutting down these new song swapping services proved difficult, partly because these services did not route traffic through a central server. Instead, each user's computer becomes a "virtual server." Thus, there was no one central network that could be shut down.

In mid-2005, the U.S. Supreme Court settled the issue, unanimously holding defendants Grokster and

StreamCast (the provider of Morpheus) liable for copyright infringement because they distributed devices with the object of promoting their use to infringe others' copyrights. *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005). Although the programs were capable of lawful use, evidence showed that copyright infringement constituted 90 percent of the total use of the services. The defendants were thus contributorily or secondarily liable because they induced others to engage in copyright infringement as shown by the affirmative steps they had taken to foster infringement, such as marketing to Napster users, failing to develop filtering tools to diminish infringing activity, and thriving on infringement.

In the wake of *Grokster*, which was hailed by the Register of Copyrights as "one of the most significant developments in copyright law in the past twenty years," Grokster stopped distributing its peer-to-peer software and has shut down; like Kazaa and Napster, Morpheus was relaunched as a paid subscription service.

Our Post-Grokster World: Solutions to Deter Piracy

After their success in closing down Napster and Grokster, content owners have engaged in a multi-pronged approach to reduce piracy, including the following:

- **Digital music services.** Recording and other companies have introduced subscription services allowing consumers to access music files for monthly or per-song fees. One of the best known is Apple's iTunes, which has a market share of about 27 percent of all music sold in the United States. There are hundreds of these online music stores, showing that they have moved into the mainstream and gained widespread consumer acceptance. Nevertheless, as reported by the RIAA, although the music business has increased its digital

revenues 1,000 percent between 2004 and 2010, since peer-to-peer file sharing emerged in 1999, music sales in the United States have dropped 47 percent. Thus, piracy of content is likely still the biggest issue facing the music industry.

- **New technologies.** Some experts have noted that the technology used by Grokster is nearly antique and has been largely supplanted by BitTorrent, a peer-to-peer protocol designed for transferring large files quickly. The site <http://www.BitTorrent.com> has more than 100 million users who enjoy both free movies and music, publish their own content, and purchase movies and music. Because BitTorrent encourages noninfringing uses of content and operates noncommercially (making its money through advertising and not through the trading of content), it should be immune from liability under *Grokster*. While many torrent sites operate legally, others, such as Sweden's The Pirate Bay, have been singled out by the U.S. Trade Representative as sites that index infringing materials.

Other new technological advances include content-recognition software, which makes it possible to identify copyrighted material even from poor-quality images. For example, Audible Magic's software can identify a video clip with just 5 seconds of film. Just as a human fingerprint identifies a person, these digital fingerprinting and filtering technologies quickly locate the unique characteristics of video content and identify them so they can be removed from sites such as YouTube.

Internet service providers have themselves ramped up their antipiracy measures. For example, eBay has a Verified Rights Owner Program so IP owners can easily report infringing materials, and YouTube offers Content ID, its program that allows content owners to identify videos and audios composed entirely or

partially of their copyrighted content so they can then decide whether to take action against such infringing materials.

- **Licensing arrangements.** Labels are entering into licensing arrangements with sites such as YouTube so that users can use such content in their homemade videos. Similarly, as discussed in Chapter 11, content owners may use licenses available from Creative Commons, a nonprofit organization that helps people dedicate their creative works to the public domain or license them for certain uses, in a type of "some rights reserved" rather than "all rights reserved" approach.
- **Lower prices and free content.** One novel solution in the fight against piracy of software is lower prices. Or example, in 2010, after Microsoft, among others, lowered the prices for its software in China, it noticed an increase in its legitimate sales. Similarly, many television and movie studios now offer shows and films on demand in order to halt piracy of this free content. Popular and inexpensive services such as Netflix also serve to deter piracy.
- **Education.** Content providers continue to try to educate the public about the high costs of music and movie piracy. For example, the Motion Picture Association of America shows trailers before movies that inform viewers of the effects of copyright infringement, and various programs are aimed at reducing piracy on college campuses. Additionally, the Higher Education Opportunity Act of 2008 provides that colleges and universities that receive Title IV federal aid must implement antipiracy procedures to combat copyright violations by their students.
- **Enforcement.** Both the RIAA and MPAA have stepped up their enforcement efforts in recent years. These efforts range from working with law enforcement to seize illegal goods (such as discs manufactured illegally), to raids, to offering rewards to theater employees who stop illegal

camcorder recording of movies, to training law enforcement officials to recognize pirating operations. As discussed below, some members of Congress have advocated “cyber combat” to take down Internet sites in foreign countries that offer pirated U.S. music and movies. Others respond that such website takedowns would provide only a temporary solution because the sites would simply reemerge under other names and addresses. Litigation is also used to combat piracy and deter infringers.

- **Seizure of Websites.** The Immigration and Customs Enforcement agency (in conjunction with the Department of Justice) has begun seizing websites offering pirated or counterfeit goods and seized more than 100 sites in 2010. Visitors to those websites are often directed to a public service announcement educating against piracy.
- **Legislation.** Content providers routinely educate and lobby Congress and have been successful in increasing penalties for pirates and in making camcorder recording in theaters a federal felony.

Litigation Efforts to Stop Piracy and the Copyright Alert System

After years of suing people for illegally downloading music, the RIAA abandoned its litigation strategy in late 2008. The mass lawsuits did little to stop music piracy and created a public relations nightmare for the industry.

For example, in the early 2000s, the RIAA sued about 30,000 people for unauthorized file sharing of music. Only two cases went to trial (with the rest settling for a few thousand dollars each), the most famous of which involved Jammie Thomas-Rasset, a Minnesota woman. After three separate trials, in 2010, she was ordered to pay \$1.5 million for illegally downloading 24 songs. After a federal judge lowered

the verdict to \$54,000 in mid-2011 (calling the original award “appalling”), the RIAA filed an appeal, and as of the date of the writing of this text, the appeal was pending.

The saga of the four-year-long LimeWire litigation also illustrates the problems inherent in relying on litigation to stem piracy. LimeWire, once the nation’s largest file sharing network, was sued in 2006 by the four largest recording companies, including the RIAA. In 2010, a federal judge upheld the music industry’s claims that LimeWire had engaged in and induced copyright infringement on a massive scale. The site was finally shut down in 2010, and LimeWire agreed to pay the plaintiffs \$105 million.

The Jammie Thomas-Rasset and LimeWire cases signaled the end of individual lawsuits by the RIAA due to the high cost to litigate and the time involved in pursuing claims.

As a successor to earlier litigation efforts, in 2011, the U.S. Copyright Group (a trio of Washington, DC, attorneys) brought suit against more than 24,000 defendants for illegal downloading of the movie *The Hurt Locker*. Styled as a type of reverse class action (because it has one plaintiff and numerous defendants rather than the traditional class action suit, which includes numerous plaintiffs and one defendant), the plaintiff hopes to name more than 100,000 defendants but appears to be interested in settling each claim for a few thousand dollars.

Because even a strong case against pirates can take years to resolve and involves high costs, the music and movie industries have lately begun to use a two-pronged focus on piracy: combining education with requests for tougher legislation. For example, RIAA’s new approach is to work directly with Internet service providers. To illustrate, when the RIAA determines that the customer of a provider (for example, a Google customer) is making music available online for others to take, it will notify the provider/Google, which will then forward the notification to

the customer. Repeat offenders may have their Internet access terminated.

In mid-2011, the major Internet service providers (including AT&T and Comcast) entered into an agreement (called the Copyright Alert System) with media and entertainment companies such as the RIAA and the MPAA, by which the providers agreed to adopt a graduated response plan to handle repeat copyright infringers. After being notified of infringement by the MPAA, RIAA, and others, the providers will provide e-mail “alerts” to customers suspected of illegal downloading. Similar to credit card fraud alerts, these messages warn users that possible illegal activity has been detected and that penalties could result if it continues. After five or six alerts, the providers may institute “mitigation measures,” which may include temporary reductions of Internet speeds, diverting a customer to a landing page until the user contacts the provider to discuss the matter and responds to educational information about copyright, and other measures. There is no requirement that an Internet service provider disconnect a user’s Internet connection, and users have a right to request an independent review before any mitigation measures are taken. Most experts have hailed the new agreements as a proper balance between protecting copyrighted content and protecting users’ privacy (because users’ names won’t be given to the Internet service providers and the providers won’t filter or monitor their own networks for infringement). Nevertheless, some free speech advocates are concerned that a service provider may be able to penalize a customer based on a mere allegation of abuse made by a copyright owner.

Legislative and Prosecutorial Efforts to Stop Piracy

Some of the persistent problems with countermeasures designed to stop piracy include the fact that as soon as the music industry introduces a form

of protection technology, consumers figure a way to outwit it. For example, after one company released CDs with encryption technology that precluded copying, furious consumers figured out they could defeat the encryption with a felt-tip marker. Pay-for-play subscription services are growing, but some consumers have been unhappy with the catalogs offered and continue to illegally download music and movies. As a result, the entertainment industries have routinely turned to Congress for help. Bills introduced in Congress have ranged from those requiring manufacturers of computers and other electronic devices to incorporate technology that would prevent illegal copying to those that would disrupt or even attack a user’s computer drive if a copyright holder has a reasonable basis to believe piracy is occurring on that computer.

One significant new law passed in 2005 is the **Family Entertainment and Copyright Act**, which affects the entertainment industries in several ways:

- It imposes criminal penalties for camcorder recording of movies in a movie theater.
- It criminalizes uploading a movie before its commercial release.
- It authorizes copyright preregistration of works being prepared for commercial distribution, such as movies (see Chapter 13).
- It allows members of private households to filter out profanity, violence, and sexual content from movies and immunizes the makers of equipment used for such purposes.

The Prioritizing Resources and Organization for Intellectual Property Act (“PRO IP Act”) of 2008 created the new IP “Czar” or Intellectual Property Enforcement Coordinator, increased civil penalties for copyright infringement, and allows for the seizure and auctioning of any computer or network hardware used to facilitate a copyright crime.

At the time of the writing of this text, two companion pieces of major legislation are pending in

Congress. The Senate bill is called the Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act (or PROTECT IP Act) of 2011, and the House bill is called the Stop Online Piracy Act of 2011. The legislation would give federal authorities broad power to block “rogue” websites, search engines, payment processors, and advertising networks if they are engaged in the illicit sale of pirated goods, from movies to drugs. The Department of Justice would be able to seek a court order to serve on search engines such as Google, which would then be required to make websites dedicated to infringing activities disappear from the Internet. Supporters of the legislation include the RIAA, MPAA, and the U.S. Chamber of Commerce. Critics, including the American Civil Liberties Union, PayPal, Google (which hired more than 10 lobbying firms to fight the legislation), Yahoo!, and top Internet engineers say the proposed legislation threatens free speech by providing the government with an effective way of silencing critics: labeling them as copyright infringers. Moreover, critics argue that the DMCA already serves to protect the rights of content owners. After widespread grass roots opposition, including Wikipedia’s decision to make its home page “dark” for one day, the bills were placed on hold indefinitely in mid-January 2012.

Authors and content owners say laws requiring takedowns of rogue websites is the only effective way of halting massive online piracy and that sending individual cease and desist letters or suing infringers individually is like playing Whack-a-Mole. Moreover, many pirate sites are located overseas and do not adhere to the DMCA.

As discussed in Chapter 6, in November 2010, the Anti-Counterfeiting Trade Agreement (ACTA) was finalized among 40 countries representing more than 50 percent of world trade, including the United States and the European Union. ACTA aims to combat counterfeiting and piracy and support global enforcement of intellectual property rights. ACTA requires signatory countries to provide effective

enforcement procedures for IP rights, includes provisions requiring criminal penalties for certain acts of counterfeiting and piracy, and requires commitments on seizure and destruction of fake goods. Although ACTA’s text has been finalized and signed by the United States, at the time of the writing of this text, it had not yet entered into force.

The Department of Justice has established a Computer Crime & Intellectual Property Section to combat computer and intellectual property crimes worldwide. It prevents, investigates, and prosecutes computer and IP crimes. Additional information can be found at <http://www.cybercrime.gov>.

Conclusion

At the time of writing of this text, no one is sure how to prevent piracy of music, movies, and other goods. The solution is likely a combination of education, enforcement, technology (including digital rights management methods), and legislation to protect valuable entertainment content. At the time of the writing of this text, however, the momentum appears to be with content owners. After victory in the LimeWire case, the seizure of offending websites by U.S. Immigrations and Customs Enforcement, and strong proposed legislation that would allow the government to block users from accessing rogue websites, it would seem that serious antipiracy measures may be at hand.

RECENT DEVELOPMENTS IN COPYRIGHT LAW

As is apparent from the foregoing discussion, copyright law continues to evolve. Some of the more recent and interesting developments are as follows:

- ***Fashion protection.*** While acknowledging that clothing is a useful article and thus not subject to copyright protection, a New York federal court ruled that lace designs, copyrighted as writings and incorporated into wedding

dresses, were protectable and enjoined another maker of wedding dresses from making or marketing copies. Similarly, detailed embroidery or other two-dimensional drawings or graphic works affixed to a portion of a garment may be copyrightable. Haute couture fashion designers have been lobbying for years for some form of protection against piracy for their designs. Legislation has been introduced on several occasions to protect against copycat knockoffs, the most recent of which was introduced in 2010 by Senator Schumer of New York. Although that legislation did not pass, it would have afforded protection only for truly unique fashion designs that are highly distinctive. Thus, a simple sheath dress would be unprotectable but Lady Gaga's disco ball-inspired outfit likely would be protectable. The protection would not be a pure copyright protection (because such protection is not available for useful items) and would be for a limited period, perhaps only three years, because the demand for such designs is relatively short-lived.

- **Legal documents.** In 2002, Milberg Weiss Bershad Hynes & Lerach, a well-known securities litigation law firm, noticed that other law firms were "copying" its complex class action complaints and other pleadings, and began to place copyright notices on the documents it filed with courts. Some experts believe that any such claim to copyright will fail because documents filed with courts are public records, there is a need for public access to such documents, and any use by others is likely a fair use.
- **Orphan works.** After Congress extended the term of copyrights (from the life of the author plus 50 years to the life of the author plus 70 years), a number of **orphan works** (works for which no copyright owner can be found) were created. This situation places a burden on those who wish to use the works and who thus risk

infringement if they cannot locate a copyright owner from whom to seek permission to use the work. For example, some consumers have been unable to have old family photographs duplicated because the photo finishers could not verify whether the photograph was subject to copyright protection, and filmmakers have been required to remove historically significant images from films. The Register of Copyrights has recommended that Congress enact legislation so those who use orphan works are not subject to costly penalties if they have made a diligent effort to find the owner of the orphan work.

- **Ringtones.** In late 2006, the Copyright Office issued a decision finding that ringtones used in cell phones that are excerpts of preexisting recordings (e.g., a portion of an existing song) are subject to the statutory licensing scheme of 17 U.S.C. § 115 (meaning that reproductions of musical works may be made or distributed without obtaining the consent of the copyright owner provided the maker or distributor pays the statutory license fee set by the Copyright Office). The ruling was a blow to songwriters who argued that ringtones were "new" and creative derivative works, and thus royalties should be negotiated for each use. The ruling clarifies that once the copyright owner of a musical work distributes it (either as a song or a ringtone) to the public, anyone can obtain a statutory license to use the musical work in that ringtone. Because most ringtones do not change the basic melody or character of a musical work, most will be subject to the statutory license, and thus anyone may use such as long as the standard royalty fee is paid. Statutory licenses are discussed in Chapter 11.
- **Print piracy.** Although publishers and authors believed that print books were relatively immune from piracy because of the time and labor involved in digitally scanning each page in a

book to convert it to digital form, the increasing popularity of electronic reading devices like the Kindle have spawned digital piracy of print materials. For example, less than 24 hours after the release of Dan Brown's blockbuster novel *The Lost Symbol* in digital form, it had been downloaded for free more than 100,000 times. Mindful of what happened in the music industry, book publishers are becoming concerned that their books will become "Napsterized." Many thus delay releasing best sellers as e-books until several weeks after the hard cover versions have gone on sale, to prevent the e-versions from cannibalizing the hard cover versions.

- **Unlawful streaming.** Streaming allows the real-time playing of a song, movie, or other content without the necessity of waiting to download a file. Although there are several legitimate video streaming websites, such as Hulu and Netflix, illegal streaming has become more prevalent. For example, the NBA identified nearly 3,000 unlawful streams of its games on just one foreign website alone. The White House has recommended that unauthorized streaming be treated as a felony, and the Register of Copyrights testified in mid-2011 before Congress that unauthorized streaming is a growing threat that requires legislative action.
- **Rights of freelancers.** In *New York Times v. Tasini*, 533 U.S. 483 (2001), the Court held that the conversion of articles that had appeared in the *Times* in print form to electronic form was a republication of the works such as would entitle authors to additional compensation when the individual articles were taken from various journals and offered in isolation and not in the same context as their print versions. Similarly, in a second victory for writers, in *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001), *aff'd*, 283 F.3d 490 (2d Cir. 2002), the court held that the right to print and sell works in conventional book form does not include the right to publish the work in digital or electronic formats (unless the author agrees to such). Note, however, that if a publisher reproduces an exact electronic replica of a magazine, such is permissible, and freelance writers and photographers are not entitled to additional compensation when their print material is simply digitally scanned and then appears electronically in the same format and order as the prior print edition. *Faulkner v. Nat'l Geographic Enters. Inc.*, 409 F.3d 26 (2d Cir. 2005). Moreover, parties are always free to agree on future use and publishing of their works in electronic form, and most contracts today anticipate this issue by having writers agree that their publishers may reproduce their works in both print and digital formats.
- **Scraping.** A new copyright issue asks whether news websites, especially aggregator sites such as Yahoo! News or Google News, can post headlines and lead sentences from stories they then link to, a practice often called *scraping*. The owners of the content allege that they lose revenue because readers link directly to the stories, bypassing ads on their home pages. Providers such as Yahoo! News typically allege that the use is a fair use (because they display only a line or two of text and a headline together with a link to the complete story). Some providers pay to use the content. A lawsuit brought against the *Times'* Boston.com alleging that scraping was a copyright violation was settled out of court in 2011. Thus, as of the time of the writing of this text, there has been no legal determination as to whether scraping violates copyright or is a fair use.
- **Google books settlement.** In 2004, Google announced its plan to digitize or scan the print collections of numerous libraries. As of 2011, Google had scanned more than 15 million books.

Writers and publishers sued Google, alleging that Google's plan to make these print books available online without first getting their permission violated copyright law. In 2008, Google agreed to pay a \$125 million settlement that guaranteed the authors and publishing houses a share of future profits. Numerous groups and people objected, including the Department of Justice and the Register of Copyrights, who stated the agreement made a "mockery" of copyright law. The settlement would also have allowed Google (without permission) to scan "orphan works," millions of books whose copyright owners cannot be located. In March 2011, a federal judge rejected the settlement on the basis that it would reward Google for engaging in wholesale copying of copyrighted works without permission and would give Google an unfair advantage over its competitors. The court urged the parties to consider revising the agreement and noted that many of its concerns would be allayed if the settlement were converted to an "opt in" settlement (meaning that authors would have to affirmatively agree to having their books scanned). At the time of the writing of this text, there is no further word on the status of this important copyright case.

While many authors and copyright owners are justifiably concerned over infringement of their works by electronic means, a number of other experts compare the situation to that faced by the music industry several years ago when it became possible to make copies of tapes and CDs. For years people have been able to borrow books and tapes from friends and libraries, and yet there remains a strong market for the sale of books and music. Thus, many experts believe that although some measures and controls are needed to reduce electronic infringement and piracy, there is no need for panic, at least not yet.

TERMS OF THE TRADE

Following is a glossary of some terms currently used in discussing availability of works in the electronic age:

- **Softlifting.** Loading unauthorized copies of software into other computers, a practice frequently encountered in small businesses that do not wish to incur the expense of buying software for each computer and by consumers who share software with friends and family.
- **Copyhoarding.** Retaining all rights in a work, especially software, and refusing to allow others to view it, reproduce it, display it, or use it in any way.
- **Shareware.** Releasing copyrighted software under the condition that if the user likes what he or she sees, the user will pay a license fee.
- **Copylefting.** Licensing all users of software to have free and unfettered access and rights for any purpose and requiring that any improvements or adaptations they make to the work be similarly treated. This concept is even more permissive than that allowed for works in the public domain, which, although not protected, may serve as the source for derivative works that can then be copyrighted and protected from unauthorized use. Copylefting ensures that any derivative works based on the original work remain as freely available as the underlying work.
- **Freeware.** Allowing others to use software for free but retaining rights to ensure the work is not reverse engineered or disassembled.
- **Downstream infringement.** Infringement by users who obtain copyrighted items from legitimate users. Thus, if a licensee allows *X* to make an unauthorized copy of a software program, *X* is a downstream infringer (and the licensee may be liable for contributory infringement).

- **Warez.** The term **warez** typically refers to more than one piece of pirated software; warez sites allow distribution of pirated software over the Internet. Alternatively, the term is also a slang term for all images, music, and content traded on the Internet.

VESSEL HULL PROTECTION

Since 1998, Title V of the DMCA, referred to as the Vessel Hull Design Protection Act (17 U.S.C. § 1301 *et seq.*), has provided for protection for original designs of boat vessel hulls. Vessel hull design protection draws many of its concepts from both copyright and patent law but affords a new form of intellectual property protection. It is thus said to be *sui generis* (literally, “the only one of its kind”). The new law grants an owner of an original vessel hull design certain exclusive rights provided that an application for registration of the design is made with the Copyright Office within two years of the design first being made public. Registration is made using Form D-VH and the application fee is \$220. Deposit material may consist of either drawings or photographs of the design. To ensure that protection is not granted for useful articles, protection is limited to those designs that make the article attractive and distinctive in appearance. Vessel hull design protection is not available for designs that have received patent protection.

Vessel hull design protection was prompted by a 1989 case in which the U.S. Supreme Court struck down a Florida statute that had protected the designs of boat hulls against copying. The new act affords protection for original vessel hull designs far more quickly and inexpensively than patent protection affords.

Protection of vessel hull designs is not the same as copyright protection, and the term of protection lasts 10 years. When any vessel hull embodying a

protected design is publicly exhibited or distributed or offered for sale, the hull should carry a notice of the design’s protection; omission of the notice would prevent the owner from recovering against a party who infringes before receiving written notice of the protection. Generally, the notice consists of the words “Protected Design” or the letter “D” together with the name of the owner and the year in which protection commenced. In 2009, the Copyright Office registered only 32 vessel hull designs under the Act.

SEMICONDUCTOR CHIP PROTECTION

Introduction to the Semiconductor Chip Protection Act

Semiconductor chips (or integrated circuits) are used in virtually all electronic equipment, including watches, cardiac pacemakers, microwave ovens, televisions, automobiles, cell phones, and computers. Development and engineering of the complex chips can cost millions of dollars and take years of research, yet once created, chips can be easily copied. Copyright law does not provide adequate protection for the chips inasmuch as they are useful products and cannot be copyrighted (although the design drawings of chips are copyrightable). Neither does patent law provide adequate protection because the chips generally do not meet the strict standards that patentable material be nonobvious (see Chapter 17). Furthermore, issuance of a patent typically takes three years or longer, and given the rapidity of technological advances, chips are often nearly obsolete by the time a patent might issue.

In 1984, Congress fashioned a solution to the lack of protection for semiconductor chips by enacting the Semiconductor Chip Protection Act. The Act creates an entirely new form of intellectual property right in semiconductor chips, one that is different

from either copyright law or patent law. As such, and like vessel hull design protection, it is said to be *sui generis*. Nevertheless, many of the concepts relating to protection, registration, and infringement of chips draw from copyright law. The Act is found in Title 17 of the United States Code, after the copyright statutes (17 U.S.C. § 901 *et seq.*). The Copyright Office offers Circular 100, entitled “Federal Statutory Protection for Mask Works,” to provide information about semiconductor chip protection and registration of mask works. The circular can be downloaded from the Copyright Office’s website.

Protectable Matter

The Act protects **mask works**, which are the stencils used to etch, pattern, or encode an electronic circuit on a semiconductor chip. A **semiconductor chip** is defined as any product “having two or more layers of metallic, insulating, or semiconductor material, deposited or otherwise placed on, or etched away or otherwise removed from, a piece of semiconductor material . . . and intended to perform electronic circuitry functions.” 17 U.S.C. § 901(a)(1). Protection extends to the three-dimensional images or patterns formed on the layers of metallic or semiconductor material, that is, the topography of the wafer-thin chip. Most semiconductor chips are created with silicon.

To be protected, the mask work must be “fixed,” meaning that it must be capable of being perceived or reproduced for more than some transitory period. Additionally, the mask work must be original or independently created and cannot consist of some commonplace design or a mere variation of an already existing design.

Duration of Protection and Exclusive Rights

Eligibility for protection for a mask work commences on the date the mask work is registered with the Copyright Office or on the date on which

it is first commercially exploited (generally meaning distribution to the public) anywhere in the world, whichever occurs first. Protection lasts for 10 years from the date protection begins (assuming the mask work is registered with the Copyright Office within two years after it is commercially exploited).

The mask work owner has the following exclusive rights:

- To reproduce the mask work by any means
- To import or distribute a semiconductor chip product that embodies the mask work
- To induce or knowingly to cause another to do the foregoing acts

The mask owner’s rights are infringed by copying of the work. The House Report relating to the Act explicitly recognized that the concepts used to determine infringement of copyright (such as substantial similarity and the protection of expression rather than ideas) are applicable to mask works. Thus, a mask work that is substantially similar to a protected work infringes even if it is not an identical copy.

Limitations on the Rights of Mask Work Owners

There are several notable limitations on the exclusive rights granted to mask work owners:

- Identical to copyright law, there is no protection if another mask work is independently created. The Act prohibits copying, not independent creation.
- It is not an infringement to reproduce a mask work for teaching, analyzing, or evaluating the concepts or techniques embodied in the mask work. Moreover, it is not an infringement to incorporate the results of this analysis in another original mask work. Thus, mask works can be lawfully reverse engineered.
- Also identical to copyright law, protection does not extend to ideas, systems, processes, or

methods of operation, but only to the expression of those ideas in the mask work.

- In another borrowing from copyright law, the first sale doctrine applies such that a person who lawfully obtains a semiconductor chip product may later use, sell, import, distribute, or otherwise dispose of it (as long as the work is not reproduced).

Registration and Notice of Protection

Registration of a mask work is highly similar to that of registration of copyrights. An application is made with the Copyright Office (using paper Form MW), and identifying matter must be deposited with the application. The fee is \$105. However, an application must be made within two years after the work is first commercially exploited. Protection for a mask work terminates if an application is not made with the Copyright Office within that two-year period. Thus, registration is encouraged by providing a longer period of protection for registered works (10 years) than for nonregistered works (2 years).

The registration process for mask works is nearly identical to that for copyrights in that the examination by the Copyright Office is not exhaustive. If the application is correctly completed, the deposited materials are sufficient, and the fee is paid, the registration will be issued. Few refusals are made.

In 2009, the Copyright Office issued 270 registrations for mask works.

The mask work owner may affix a notice of ownership to the mask work and to masks and semiconductor chip products embodying the mask works. The notice is not a prerequisite for protection, although it constitutes *prima facie* evidence of notice of protection. The notice consists of the words “mask work,” the symbol “M,” or the letter “M” in a circle, and the name of the owner of the mask work. No date is needed. The notice is usually placed on a label attached to the packaging for the product.

Infringement of Mask Works

A person who violates any of the exclusive rights of a mask work owner may be sued for infringement. To bring an action in federal court for infringement, however, the owner must have registered the mask work (or been refused registration by the Copyright Office). The action must be brought within three years after the claim accrues. Actual damages and the infringer’s profits may be awarded to the mask work owner. Alternatively, Identical to copyright actions, the owner may elect statutory damages (up to \$250,000). A court may enjoin further infringement and may impound and destroy infringing works and the drawings by which infringing chips are reproduced. Attorneys’ fees and costs may be awarded.

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- Microsoft spends more than \$10 million each year on its antipiracy operations and has invested approximately \$200 million in developing antipiracy technology.
- In 2011, MarkMonitor reported that websites offering pirated software and other digital goods lure about 53 billion visits annually.
- Google reported in 2011 that it had taken down links to pirated material more than 5 million times.

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- According to Torrent Freak, the most pirated video game in 2010 was “Call of Duty: Black Ops,” which was estimated to have been illegally downloaded 4.27 million times.
- McAfee estimates that the number of active websites delivering illegal content sextupled between 2007 and 2010.
- The Business Software Alliance’s 2010 report stated that 41 percent of PC software worldwide was pirated.
- Twenty-four hours of new video viewing is uploaded to YouTube’s website every minute.
- According to the Information Technology & Innovation Foundation, the digital theft of copyrighted content takes up nearly 20 percent of Internet bandwidth in the United States.
- Law enforcement agencies shut down 150 websites engaged in trafficking of counterfeit and pirated goods on CyberMonday, the first Monday after Thanksgiving, in November 2011.
- The Institute for Policy Innovation reported that in 2005, piracy “conservatively” cost the U.S. copyright industries \$25.6 billion in lost revenue.
- The MPAA says the typical movie pirate is male, between the ages of 16 and 24, and lives in an urban area. The MPAA states that about 90 percent of newly released movies that are pirated can be traced to “camcorder theft,” namely, the use of a camcorder in a movie theater to steal the movie and then distribute it over the Internet.

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CHAPTER SUMMARY

Computer programs, websites, and automated databases are copyrightable and may be registered with the Copyright Office as literary works. As original works of expression, computer programs are protectable against infringement. Nevertheless, numerous cases have held that purely functional elements of programs, stock or standard scenes a faire, and merged ideas and expressions cannot be protected. To hold otherwise would grant developers of computer programs a monopoly and would discourage creative expression. Computer programs may be reverse engineered in certain instances, for example, when it is necessary to gain access to unprotected elements of a program.

The ease with which works may be copied, stored, reproduced, and disseminated by electronic means, primarily the Internet, has caused much debate among authors and owners of works who are concerned about infringement of their works and those who believe that information “needs to be free.” Some experts believe that technology itself can solve the challenges of the electronic age: Devices can be constructed that

would encrypt or protect works and prevent them from being copied or transmitted unless permission or royalties are first obtained. In the interim, the Copyright Act is sufficiently muscular to protect works from infringement by electronic means. Thus, copying, downloading, or transmitting works over the Internet is subject to risk.

The Digital Millennium Copyright Act of 1998 updated U.S. copyright law for the digital age by prohibiting circumvention of copyright protection systems and protecting online service providers from liability for copyright infringements on their services if they follow certain safeguards and remove infringing content.

The music and movie industries remain concerned about piracy of songs and movies and continue to educate consumers about copyright piracy, prosecute infringers, and push for legislation to protect music and movies from rampant downloading over the Internet. The original designs of boat vessel hulls are protectable against infringement under the DMCA.

Because neither patent law nor copyright law afforded sufficient protection for complex and expensively developed semiconductor chips, Congress enacted the Semiconductor Chip Protection Act of 1984. The Act creates an entirely new form of intellectual property protection for mask works, the stencils used to pattern or encode semiconductor chips. Mask works may be registered with the Copyright Office and are protected against infringement.

CASE ILLUSTRATION

THE SAFE HARBOR OF THE DMCA

- Case:** *Viacom International Inc. v. YouTube, Inc.*, 718 F. Supp. 2d 514 (S.D.N.Y. 2010)
- Facts:** Defendant YouTube, owned by Google, operates a website onto which users may upload video files free of charge. The plaintiffs claimed that tens of thousands of videos on YouTube's site were taken unlawfully from Viacom's copyrighted works without its authorization and that YouTube had actual knowledge of facts or circumstances from which infringing activity was apparent. YouTube moved for summary judgment on the basis that it was entitled to the "safe harbor" provisions of the DMCA because it promptly removed any infringing material upon notification.
- Holding:** Summary judgment for YouTube was granted. The court held that mere knowledge of the prevalence of infringing activity in general is not enough: for liability to be imposed. The DMCA places the burden of policing copyright infringement squarely on copyright owners and not on Internet service providers. In fact, the DMCA notification regime worked efficiently in this case; when Viacom sent YouTube one takedown notice to remove 100,000 videos, most were removed by YouTube by the next day. General knowledge that infringement may be occurring or even may be ubiquitous does not impose a duty on a service

provider to monitor or search for infringements. A service provider will lose the safe harbor provisions of the DMCA only if it becomes aware of a “red flag” from which infringing activity is apparent and takes no action.

(Note: At the time of the writing of this text, the decision in *YouTube* was on appeal in the Second Circuit.)

CASE STUDY AND ACTIVITIES

Case Study: Holiday has compiled a database of all of its customers, consisting of their names (listed alphabetically), addresses, cruises attended, and how much money they spent on each cruise on excursions, liquor, and so forth. Holiday intends to use this to market additional cruises to these customers. Holiday also uses a software package that it licensed from ABC Inc., which allows it to prepare bills for its customers at the end of each cruise on its ship *Explorer*. Holiday would like to make several copies of this software so it can use it for each of its ships.

Activities: Discuss the copyrightability of the works discussed in the case study as well as any other copyright or infringement issues relating to the works.

ROLE OF PARALEGAL

Because copyright issues confronting users, authors, legislators, and judges are continuing to evolve, the primary task of IP paralegals may be simply to monitor the issues by continuing research. Specifically, practitioners may be involved in the following tasks:

- Preparing and monitoring copyright applications for computer programs, websites, and automated databases;
- Tracking legislation relating to copyright using Lexis or Westlaw or the free and accessible Internet sites THOMAS (<http://thomas.loc.gov>), or the Government Printing Office’s site offering access to public laws and various congressional documents at <http://www.gpo.gov/fdsys>;
- Monitoring articles, bulletin boards, and other postings on the Internet for information relating to copyrights in the electronic age;
- Reviewing legal periodicals and journals for articles relating to emerging copyright issues;
- Assisting in preparing newsletters and bulletins for clients to inform them of developments in the field;
- Assisting clients in developing copyright compliance policies to ensure their employees do not infringe copyrights of others;
- Reviewing clients’ websites and other electronic materials to ensure copyright notices are displayed at those sites;
- Reviewing websites of competitors of clients to ascertain whether clients’ copyrighted materials are being infringed or whether links to clients’ sites are being improperly used;
- Preparing and responding to DMCA “takedown” notices;
- Preparing and monitoring applications for registration of mask works and vessel hull designs; and
- Ensuring that clients’ mask works (or the containers therefor) display the proper mask work notice.

INTERNET RESOURCES

Federal laws relating to copyright:	http://www.law.cornell.edu http://www.gpo.gov/fdsys
Copyright Office:	http://www.copyright.gov (for forms; circulars on mask works; and information on the DMCA, vessel hull protection, and new copyright developments and legislation)
IP Enforcement Coordinator:	http://www.whitehouse.gov/omb/intellectualproperty
Business Software Alliance:	http://www.bsa.org (for information on antipiracy and technology policy)
Software Information & Industry Association:	http://www.siia.net (for information on protecting and promoting software and digital content)
Recording Industry Association of America:	http://www.riaa.org (for information on active music issues)
Motion Picture Association of America:	http://www.mpa.org (for information on movie piracy)
Electronic Frontier Foundation:	http://www.eff.org (for information on cutting-edge technology issues and links to cases)
Chilling Effects Clearinghouse:	http://www.chillingeffects.org (joint project of Electronic Frontier Foundation and various law schools regarding intellectual property and First Amendment issues)
International Intellectual Property Alliance:	http://www.iipa.com (for information and reports on international protection of intellectual property)

DISCUSSION QUESTIONS

1. Velocity Inc. has developed a new video game. Because the game is likely to be very popular (and thus likely to be infringed), it is reluctant to deposit even blocked-out portions of source code to the Copyright Office. May Velocity obtain a copyright registration for the work without depositing any source code? Discuss.
2. Jason, a computer gamer, has purchased a new copy of the video game “Assassin’s Creed.” Jason would like to make three copies of the game to share it with his friends. Is such use permissible? Discuss.
3. In developing her website, Audrey has copied bits and pieces of content from other websites (none of which use copyright notices), believing that because the material is available for all to see, it is in the public domain. For example, she has taken some music from one site and some photos from another. Is such use permissible? Discuss.

4. A band has just discovered that its number one song has been used as background music on a video that has been posted to YouTube. What may the band do to stop this use? What statute governs your answer?
5. Nintendo has released a highly anticipated video game. To deter piracy, the game was encrypted so that it cannot be copied. Hal, who purchased a copy of the game, has discovered a way to break the encryption and plans to make several copies of the game for his friends. Is such permissible? What statute governs your answer?
6. Why do most proposals to protect couture fashion under copyright law include a provision that protection would be for a limited period of time, usually three years?
7. Assume that eBay has received a takedown notice under the DMCA to remove computer software that its maker believes is pirated. If eBay removes the offending listing within the next day, is it liable for contributory infringement? What if eBay waits two weeks before removing the listing? Discuss.

USING INTERNET RESOURCES

1. Access the Copyright Office's website.
 - a. Search the Copyright Office records and locate the registration for DVH0490. What is this registration for?
 - b. What is the fee to record a designation of agent to receive a notification of claimed infringement?
 - c. Review Circular 66. When describing authorship of an online work, what terms should not be used?
2. Who is the current Intellectual Property Enforcement Coordinator?
3. Access the website Webopedia. Briefly, what is the definition of "digital watermark"? What is the purpose of a digital watermark?
4. Review the U.S. Trade Representative's Special 301 Report for 2011.
 - a. Review the information on China. What percentage of music is illegally downloaded in China?
 - b. What favorable action was taken by Spain in 2010 or 2011?
5. Access the website of the Motion Picture Association of America. Review the information on "Content Protection" and then review the FAQs. What are the penalties for camcording?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 16

International Copyright Law

CHAPTER OVERVIEW

There is no international copyright law that protects copyrighted works in every country. More than 160 nations, however, adhere to the Berne Convention, the terms of which require members to treat nationals of other member countries like their own nationals for purposes of copyright. By joining the Berne Convention in 1989, the United States was required to make some changes to its copyright laws, notably, eliminating the requirement that works be accompanied by a copyright notice in order to receive protection and allowing owners of works not originating in the United States to sue in federal court for copyright infringement even if they did not possess a copyright registration. New treaties supplementing the Berne Convention ensure that copyrighted works are protected from infringement by any means, including electronic means, and prohibit attempts to defeat encryption or protection of copyrighted works. The United States is also a party to the Universal Copyright Convention and the Uruguay Round Agreements Act. Finally, in 2002, two international treaties adopted by the World Intellectual Property Organization, and often called the “Internet treaties,” entered into force to protect copyrighted works in the digital environment. The United States is a party to both of these new treaties, which are viewed as the most important updates to international copyright protection in a generation.

INTRODUCTION

Nearly one million books and other literary titles, 5,000 feature films, and three million songs are published worldwide each year. Yet there is no such thing as “international copyright” that will protect an author’s work throughout the world. Protection generally is afforded on a country-by-country basis. However, most countries offer protection to foreign works under international conventions and treaties. There are two principal international copyright treaties or conventions: the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention) and the Universal Copyright Convention (UCC). These treaties impose certain minimum requirements that each signatory or contracting nation must agree to implement. After instituting these minimum obligations, countries are free to enact other statutes and provide additional protection. Thus, protection for copyright around the world is far from uniform.

Authors who desire protection for their works in foreign countries should first determine the scope of protection available to works of foreign authors in that country. Determination should be done prior to publication of the work in any country inasmuch as the extent of protection afforded to a work may depend on facts existing at the time of first publication anywhere. The laws of most countries provide that copyright protection exists independently of any formalities and that it is not necessary to register a copyright to achieve protection for a work.

If the country in which protection is sought is a party to one of the international copyright conventions, the work generally may be protected by complying with the conditions of that convention. Even if the work cannot be protected under an international convention, protection may still be available under the specific laws of a foreign country. Some countries, however, offer little or no copyright protection to foreign works.

THE BERNE CONVENTION

The Berne Convention was created in 1886 under the leadership of Victor Hugo to protect literary and artistic works and has more than 160 member nations (see Appendix A for a table of nations adhering to the Berne Convention). In 1989, the United States became a party to the Berne Convention by entering into an international treaty called the Berne Convention for the Protection of Literary and Artistic Works. The Berne Convention is administered by the World Intellectual Property Organization (WIPO), an organization whose objective is to promote the protection of intellectual property throughout the world. The Berne Convention is based on the precept that each member nation must treat nationals of other member countries like its own nationals for purposes of copyright (the principle of **national treatment**).

Moreover, the Berne Convention has established certain minimum levels of copyright protection to which all member nations must adhere (such as specifying that all members must recognize that authors have the exclusive rights to perform, broadcast, adapt, and reproduce their works), ensuring that copyright laws in the member nations will share many features. The Berne Convention also provides that copyright protection cannot be conditioned upon compliance with any registration formalities, thus clarifying that works are automatically protected without requiring notice of copyright or registration. Finally, the Berne Convention provides that works are protected independently of the existence of protection in the country of origin of the work. If a work originates in one of the more than 160 member nations of the Berne Union, it is entitled to protection in all other member nations. A work’s “country of origin” is usually the place of its first publication. Generally, works are protected under the Berne Convention for a minimum of 50 years after the author’s death, though member nations

may provide for a longer term, as has the United States, with its “life plus 70 years” term of copyright protection for most works.

In order to fulfill its obligations under the Berne Convention, the United States made certain changes in its copyright laws, effective after March 1, 1989, the date the United States acceded to the Berne Convention. Perhaps the most significant change to U.S. copyright law was that the mandatory notice of copyright (e.g., © 1988 John Doe) that was previously required in the United States was abolished so that failure to place a notice on copyrighted works would no longer result in the loss of copyright. Thus, for all works published after March 1, 1989, use of a copyright notice is voluntary (although it is strongly recommended, because use of a notice will preclude a party from asserting its infringement was innocent, which claim might reduce damages in an infringement action).

The Berne Convention also recognizes “moral rights” (the rights of authors to claim authorship of their works and to object to any mutilation or modification of the work that would be prejudicial to the author’s reputation or honor). In 1989, in order to become a party to the Berne Convention, the United States for the first time recognized moral rights; however, the scope of moral rights afforded in the United States is less extensive than under the Berne Convention and in many other countries inasmuch as our Visual Artists Rights Act (17 U.S.C. § 106A) provides moral rights only to works of fine arts and provides that moral rights can be waived by an agreement in writing. (See Chapter 11.)

As discussed in Chapter 14, before a copyright infringement suit is brought for a work of U.S. origin, the work must be submitted to the Copyright Office for registration. Works originating in other Berne Union countries are exempt from the requirement to register before bringing suit. Authors whose works originate in the United States, however, are

still subject to the requirement of registering their work before they may sue for infringement (or showing they attempted to register but registration was refused).

TREATIES SUPPLEMENTING THE BERNE CONVENTION: THE WIPO TREATIES

In December 1996, WIPO convened in Geneva, Switzerland, to work on the first amendment to international copyright laws in 25 years, action that was primarily spurred by concern over piracy of copyrighted works through the Internet. Authors, of course, are concerned that the value of their works will be diminished by unauthorized reproduction and transmission, and Internet service providers are concerned they may face liability for contributory or vicarious infringement based on the fact that their services are used to carry out infringing activities.

Two treaties, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, were adopted at the Geneva conference and were then considered for ratification by individual countries. In order to fulfill obligations under the WIPO treaties, most countries, including the United States, were required to amend their copyright laws in several respects, chief among them to protect against the unlawful circumvention of technologies used by copyright owners to prevent electronic theft of their works. The passage of the Digital Millennium Copyright Act in the United States in 1998 (see Chapter 15) accomplished this goal, and the WIPO treaties came into force in early 2002 when they were each ratified by 30 countries.

The WIPO Copyright Treaty expressly states that computer programs are protected by copyright as literary works and makes it clear that authors’ rights of distribution extend to electronic distribution by granting authors the exclusive right

to distribute, sell, or rent their works via electronic means. The Copyright Treaty also requires adhering nations to provide remedies against any person who removes or alters electronic rights management information (information about copyright works, authors, and owners that is appended or attached to works in electronic form) and to provide adequate legal protection against the circumvention of security or encryption devices used by authors to protect their works. In most countries, circumvention is permissible for computer security testing, encryption research, certain library uses, and for law enforcement activities. The WIPO Performance Treaty provides similar rights, granting protection to sound recordings first fixed in a treaty member country.

Neither treaty addresses liability of Internet service providers for copyright infringement using the Internet, although legislation passed in late 1998 in the United States (17 U.S.C. § 512(c)) as part of the Digital Millennium Copyright Act clarifies that Internet service providers are not liable for infringement if they do not know of such acts and if they do not profit from them. As discussed in Chapter 15, upon receiving notification of claimed infringement, the service providers must expeditiously take down or remove access to the material. Finally, although much discussion occurred relating to whether databases resulting from a substantial investment of time and effort should be protected, the parties could not reach agreement; however, they did agree that databases consisting of original work could be protected. Recall that the United States expressly rejected the “sweat of the brow” doctrine in *Feist Publications v. Rural Telephone Service Co.*, 499 U.S. 340 (1991), holding that a telephone directory consisting merely of facts could not be copyrighted even if it was the result of much effort. The conference adopted a recommendation calling for another session to further discuss database protection inasmuch as many experts fear that extending

database protection rights to compilations resulting from effort and time would result in sports statistics, weather information, stock market information, and transportation schedules all being monopolized by the first to compile the data. As discussed in Chapter 15, Congress has considered extending copyright protection to databases produced through investment of substantial time and money (although databases generated with government funding would likely remain available for all to use, and the fair use of information in databases would be protected). If passed, such legislation would create an entirely new form of copyright protection for databases and would nullify *Feist* to some extent because it would protect collections of information or data that might not otherwise be copyrightable. To date, any proposed legislation relating to databases has been subject to much debate and an uncertain future.

THE URUGUAY ROUND AGREEMENTS ACT

In December 1994, President Clinton signed the **Uruguay Round Agreements Act** (URAA) that implements the Uruguay Round General Agreement on Tariffs and Trade (GATT, which led to the creation of the World Trade Organization [WTO]), which itself includes an agreement on Trade-Related Aspects of Intellectual Property (TRIPS). TRIPS (which came into force in 1995) requires all members of the WTO to provide certain minimum standards of protection for trademarks, copyrights, patents, and trade secrets and requires countries to provide effective enforcement of these rights.

The URAA amended federal copyright law in several ways, including the addition of civil and criminal penalties to provide remedies for “bootlegging” sound recordings of live musical performances and music videos. Prior to this amendment, U.S. copyright law generally protected only the fixed

work (such as the song being performed) rather than the live performance itself. The new provisions prohibit unauthorized recording or broadcasts of live performances and reproduction or distribution of unauthorized fixations of the work.

Equally important, the URAA also provided for the automatic restoration of copyright in certain foreign works (but not U.S. domestic works) that had fallen into the public domain in the United States but were protected by copyright in their countries of origin. Typically, works from eligible countries had fallen into the public domain because their authors failed to comply with formalities required by the United States, such as including a notice of copyright on the work or renewing the work (during the time when the United States required copyright notice and had a renewal period for copyrighted works).

Eligible copyrights are restored automatically and remain protectable for the term they would have enjoyed had they not entered the public domain. However, the URAA directs that the owner of a restored work timely notify “reliance parties” (parties who, relying on the public domain status of the work, were using the work prior to its automatic restoration under the URAA) if the owner of rights in a restored work intended to enforce his or her rights. Either actual notice could be given to a reliance party, or constructive notice could be given through filing a “Notice of Intent to Enforce” with the Copyright Office. The reliance party then had a grace period of 12 months to sell off its existing stock, publicly perform the work, or phase out its reproduction, distribution, performance, or display of the work.

The **World Trade Organization (WTO)** was created in 1995 by the Uruguay Round Agreements, serves as a forum for trade negotiations, handles trade disputes, and monitors national trade agreements. It has more than 150 members. (See Appendix A.) The United States has been a member of the WTO since

1995. The WIPO and the WTO cooperate to provide assistance to developing countries with respect to intellectual property rights and laws.

As discussed in Chapter 8, GATT (the organization) was replaced by the WTO, which oversees various trade agreements.

THE UNIVERSAL COPYRIGHT CONVENTION

The United States became a party to the original **Universal Copyright Convention (UCC)** in 1955, more than 30 years before the United States became a party to the Berne Convention; thus, the UCC was the first international convention relating to copyright to which the United States was subject. Similar to the Berne Convention, the UCC is based on the principle of national treatment, requiring that works originating in a member nation must be given the same protection in each of the other member nations as is granted by the laws of the country of origin. The UCC imposes fewer minimum standards on its members than does the Berne Convention. The UCC provides that use of a copyright notice in a prescribed form (the © symbol, accompanied by the year of first publication and the name of the copyright owner) will satisfy notice requirements in all other member nations. Because the Berne Convention imposes requirements that are stricter than those of the UCC, to ensure members would not drop out of the Berne Convention and rely strictly on the UCC, the UCC provides that no Berne member may withdraw from Berne and later rely on the UCC in its relations with other Berne members. Additionally, the Berne Convention takes precedence over the UCC inasmuch as the terms of the Berne Convention, rather than those of the UCC, apply to relationships among Berne members, even though those parties may also be members of the UCC. Thus, the UCC is of limited importance today, particularly because more than 160 nations are members of Berne. The UCC is administered by UNESCO.

TRADE ASPECTS OF INTELLECTUAL PROPERTY LAW

There is a strong correlation between trade policies and intellectual property protection. The International Intellectual Property Alliance has concluded that countries with the poorest records of protecting intellectual property have slower rates of information technology growth.

Similarly, Jack Valenti, the former president of the Motion Picture Association of America, stated that “copyright industries are the jewels in America’s trade crown.” Thus, the United States favors strong international protection of intellectual property because theft of such intellectual property has a damaging effect on the U.S. economy.

The “Special 301” provisions of the Trade Act of 1974 require that the U.S. Trade Representative (USTR) identify “priority” foreign countries that deny adequate and effective protection of intellectual property rights. Once countries are identified in the USTR’s annual Special 301 review, the USTR can initiate an investigation. If the foreign country is determined to deny adequate protection to intellectual property, the USTR can impose trade sanctions. For example, in 2002, the USTR imposed \$75 million in

trade sanctions against Ukraine (which sanctions were terminated in 2005 after Ukraine amended its laws to strengthen IP).

The full text of USTR reports is available at <http://www.ustr.gov>.

GRAY MARKET GOODS

Section 602(a) of the Copyright Act bars importation of copyrighted goods into the United States without the authority of the copyright owner. The goods are often referred to as “gray market” goods because they are lawfully made as opposed to pirated “black market” goods. The goods may also be referred to as “parallel imports.” In 1998, the Supreme Court held that a copyright holder loses control over subsequent sales of material produced in the United States once a first sale has occurred anywhere. In *Quality King Distributors, Inc. v. Lanza Research International*, 523 U.S. 135 (1998), hair care products affixed with copyrighted labels were manufactured in the United States and then exported for exclusive sale outside the United States. The products were then imported back into the United States (in a “round trip journey”) without the copyright owner’s permission. The copyright owner alleged

ETHICS EDGE



KNOWING WHAT YOU DON'T KNOW

Knowing what you don’t know is every bit as important (if not more so) as knowing what you do know. International law in the copyright arena is a complex field of law and requires a great deal of expertise. You can’t “dabble” in this field on a periodic basis and expect to understand its nuances and emerging developments. Part of the duty of competency to which you are subject requires you to disclose fully to your superiors when you are “in over your head.” Ask for help or additional resources when you are tasked with a new or difficult international copyright issue. Know your limits.

that such importation violated its exclusive right to distribute the products. The defendant contended that once a first sale of the product occurred abroad, the copyright owner's exclusive right to distribute was exhausted. The Supreme Court agreed that once the first sale occurred, even abroad, the owner of a work or product manufactured in the United States could resell the item anywhere without permission of the copyright holder. The defendant importer was the lawful owner of the goods and as such was entitled to resell them.

Copyright holders have been concerned over this ruling, and some experts believe they will attempt to use provisions in their contracts barring importation of goods into the United States, move their manufacturing or production facilities abroad, or lobby Congress for a change in the law to ensure their domestic revenues are not undercut by identical goods intended for export only. However, other courts have confirmed that *Quality King* is limited to its facts and does not apply to goods manufactured and first sold abroad (in which case the defendant cannot assert the first sale defense to avoid liability for infringement). See, e.g., *Swatch S.A. v. New City Inc.*, 454 F. Supp. 2d 1245 (S.D. Fla. 2006). (See Case Illustration.)

SUMMARY OF U.S. RELATIONS WITH FOREIGN NATIONS

The United States is a party to various copyright conventions, agreements, and treaties with other nations. Following is a summary of some of the agreements and treaties to which the United States is a party:

- **Berne Convention.** The United States is a party to the Berne Convention as of March 1989. The Berne Convention provides protection to literary and artistic works, including computer programs.
- **Universal Copyright Convention.** The United States has been a party to the Universal Copyright Convention since September 16, 1955.
- **WIPO Internet Treaties.** The United States implemented the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty in late 1998, and the treaties entered into force in 2002.
- **World Trade Organization.** The United States has been a member of the World Trade Organization, established to implement the Uruguay Round Agreements, since 1995.

TRIVIA

- The Berne Convention is the oldest international treaty in the field of copyright law.
- The BSA estimates that 42 percent of all software programs worldwide are pirated.
- The BSA rates China's software piracy at 78 percent, Pakistan's software piracy at 84 percent, and the United States's software piracy at 20 percent.
- Some countries, including France, have enacted harsh "three strikes" policies, requiring Internet service providers to cut off Internet access to anyone who illegally downloads files after two warnings.
- The *Washington Post* reported in 2010 that nearly four out of five software applications running on personal computers in China were pirated.

TRIVIA

CHAPTER SUMMARY

There is no one treaty or agreement governing copyright throughout the world. More than 160 nations, however, belong to the Berne Convention, which is based on the principle of national treatment: Each member nation must treat works originating in other member nations as it does its own domestic works. Recent supplements to the Berne Convention clarify that computer programs are protectable literary works, that unauthorized reproduction or distribution of a work by electronic means is infringement, and that devices that defeat copyright security measures such as encryption are prohibited. The international copyright community is struggling with the issues presented by the ease and rapidity of electronic communications, just as is the United States.

To comply with its commitments under the Berne Convention, the United States was required to modify its copyright law, primarily to eliminate any requirement for a copyright notice for a work to be protectable and to allow owners of works not originating in the United States to sue in federal court for copyright infringement even if they did not possess a U.S. registration for their work.

The United States is also a party to the Universal Copyright Convention and the Uruguay Round Agreements Act (which required the United States to amend its copyright law to allow restoration of copyright for works that had fallen into the public domain due to lack of copyright notice or failure to renew the work during the time the United States required renewal).

Finally, the United States is a party to the WIPO Internet treaties, designed to fight Internet piracy by prohibiting devices and services that circumvent technological protection measures for copyrighted works. Both treaties entered into force in 2002. To comply with its obligations under the WIPO treaties, the United States amended its copyright law in 1998 by enacting the Digital Millennium Copyright Act, which imposes penalties for circumvention of copyright protection devices (see Chapter 15).

CASE ILLUSTRATION

THE FIRST SALE DOCTRINE AND FOREIGN-MADE GOODS

Case: *Microsoft Corp. v. Big Boy Distribution, LLC*, 589 F. Supp. 2d 1308 (S.D. Fla. 2008)

Facts: Microsoft alleged that the defendant unlawfully imported into the United States Microsoft's copyrighted software that was manufactured in Ireland and intended for use abroad and then distributed that software in the United States without its permission. The defendant asserted

(Continues)

that once Microsoft sold its products abroad, under the first sale doctrine the defendant was entitled to further resell them or do as it wished with the products.

Holding: The first sale defense can only be raised where claims involve domestically made copies of U.S. copyrighted goods. Because it was undisputed that the software imported by the defendant was manufactured in Ireland and first sold abroad, the defendant cannot assert the first sale defense. Because the goods were manufactured abroad rather than in the United States, the ruling in *Quality King* was inapplicable. Summary judgment was granted for Microsoft on its claim of copyright infringement.

CASE STUDY AND ACTIVITIES

Case Study: Holiday would like to seek copyright protection in several foreign countries for a book of photographs taken during various cruises. The book has been published in the United States and does not bear a copyright notice. The countries in which Holiday would like to seek protection are all members of the Berne Convention.

Activities: Discuss the protection that Holiday may be able to secure in these countries for its book of photographs.

ROLE OF PARALEGAL

Unless a client sells or distributes its products or works abroad, involvement by IP paralegals with international copyright issues will be minimal. Nevertheless, inasmuch as works can now be sold or distributed in foreign countries merely by the touch of a computer key, some familiarity with international copyright protection is needed. Intellectual property professionals will likely be involved in the following tasks:

- Monitoring issues related to international copyright by reading journals, articles, and other materials;
- Gathering information and publications from the U.S. Copyright Office related to international copyright protection, such as Circular 38a entitled “International Copyright Relations of the United States” and Circular 38b entitled “Highlights of Copyright Amendments Contained in the [Uruguay Round Agreements Act]”;
- Retrieving the text of treaties to which the United States is a party either by locating them in conventional print form at law libraries or locating them on the Internet (the Berne Convention and the WIPO Internet treaties can be located through WIPO at <http://www.wipo.int>, and the Universal Copyright Convention can be located through the United Nations site at <http://www.un.org> or <http://www.unesco.org>); and
- Routinely monitoring various websites (see the resources at the end of this chapter and in Appendix C) related to intellectual property to keep abreast of new developments in the international arena.

INTERNET RESOURCES

Federal laws relating to copyright:	http://www.law.cornell.edu http://www.gpo.gov/fdsys
Copyright Office:	http://www.copyright.gov (for Circulars 38a and 38b, relating to international copyright relations)
U.S. Trade Representative:	http://www.ustr.gov (for annual reports and information on efforts to protect intellectual property rights abroad; identification of foreign priority watch countries)
World Intellectual Property Organization:	http://www.wipo.int (for information on international copyright law and the text of the Berne Convention and the new WIPO Internet treaties)
UNESCO:	http://www.unesco.org (for text of Universal Copyright Convention)
World Trade Organization:	http://www.wto.org (for information on TRIPS, trade, and intellectual property issues)
International Intellectual Property Alliance:	http://www.iipa.com (for information on international protection of copyrighted materials)

DISCUSS QUESTIONS

1. Pablo Ortiz, a Spanish national, owned a copyright in a book in 1985 in the United States. The book, however, did not bear any copyright notices. Pablo timely filed a Notice of Intent to Enforce Rights under the URAA with the Copyright Office with regard to ABC Inc., which had begun publishing the book in the United States. What are the rights of the parties to the book?
2. Why are some copyright experts concerned about proposals to extend copyright protection to automatic databases that are the result of significant effort, time, and money?
3. Mel's copyrighted software is manufactured in the United States and then shipped to Scotland to be sold by XYZ Co. Mel has just discovered that Sam has imported the goods into the United States from Scotland (without Mel's permission). Mel has written Sam a letter informing Sam that he is infringing Mel's rights. Sam has responded that he has not infringed the copyright in the software because he has a right, under the first sale doctrine, to dispose of the software as he sees fit because once the goods were sold to XYZ, Mel's rights to distribution were exhausted. Discuss whether Sam's defense is likely to be upheld.
4. Using the facts in the previous question, would your answer be different if the goods were first manufactured and sold in Scotland and then imported into the United States by Sam? Would Sam's first sale defense be likely to be upheld? Discuss.

5. Celia intends to file for copyright protection for her song in Argentina, which is a member of the Berne Convention. What does the Berne principle of “national treatment” mean for Celia with regard to copyright protection in Argentina?

USING INTERNET RESOURCES

1. Access the website of WIPO, and access information relating to the Berne Convention.
 - a. When did Switzerland become a member of the Berne Convention?
 - b. Briefly, what does Article 10 of the Berne Convention relate to or provide?
2. Access the website of WIPO, and access information relating to the WIPO Copyright Treaty. Review the “Summary” information. What two subject matters are to be protected by copyright under the Copyright Treaty?
3. Access the website of the Copyright Office.
 - a. Search the records of the Copyright Office and locate document V8000P024. What is this document?
 - b. Review Circular 38. What copyright relations do Iran and Egypt have with the United States?
4. Access the website of UNESCO and locate the Universal Copyright Convention. Briefly, what does Article II relate to or provide?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.

PART FOUR



THE LAW OF PATENTS

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Foundations of Patent Law

CHAPTER OVERVIEW

A patent is a legal right granted by the federal government that permits its owner to prevent others from making, using, selling, or importing an invention. There are three types of patents: utility patents, design patents, and plant patents. The great majority of patents are utility patents, granted for useful objects or processes. For more than 200 years, patents in the United States have been granted to the first to invent, assuming the invention or discovery is not known or used by others in the United States or patented or described in a printed publication in the United States or elsewhere. Effective March 16, 2013, however, and as a result of the Leahy-Smith America Invents Act of 2011, U.S. law will be harmonized with that of nearly all foreign countries so that patents will be awarded to the first to file the application.

Not all discoveries or inventions are eligible for utility patent protection. Patent protection is available only for a new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof. Thus, an inventor must demonstrate that the invention or discovery is useful, novel, and nonobvious. Generally, patent law prohibits the patenting of an invention that is merely an insignificant addition to or trivial alteration of something already in existence or already known.

Some items are excluded from patent protection. For example, a mere arrangement of printed matter, naturally existing substances, some methods of doing business (which are mere abstract ideas), and scientific principles are unpatentable subject matter.

Applications for patents are filed with the U.S. Patent and Trademark Office (USPTO), and protection begins only when a patent is issued by the USPTO (as opposed to trademark protection, which arises from first use of a mark rather than registration with the USPTO, and copyright protection, which arises from creation of a work in a fixed form rather than from registration with the Copyright Office).

INTRODUCTION

The word *patent* is a shorthand expression for “letters patent.” A **patent** is a grant from the U.S. government to exclude others from making, using, selling, or importing another person’s new, non-obvious, and useful invention in the United States for the term of patent protection. After this period of exclusive protection (20 years from filing for utility and plant patents and 14 years from grant for design patents), the invention falls into the public domain and may be used by any person without permission. This right of exclusion is far different from the rights provided under copyright law. Under patent law, inventors can enjoin the making, using, selling, or importing of an infringing invention *even if it was independently created*. In contrast, copyright law protects only original works of authorship. If two writers independently compose the same poem, both are protected under copyright law. A patent allows its owner to exclude others from using the owner’s invention; it does not provide any guarantee that its owner can use or sell the invention.

To obtain a patent, an inventor must file an application with the USPTO, the same agency of the Department of Commerce that issues trademark registrations. The application must describe the invention with specificity. The application will be reviewed by a USPTO examiner, and, if approved, the patent will issue. The patent is a written document that fully describes the invention.

Just as U.S. copyright law derives from the Constitution, so does patent law. The U.S. Constitution provides that Congress shall have the power “to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” U.S. Const. art. I, § 8, cl. 8. The wording applicable to patents is *science, useful arts, inventors, and discoveries*.

Patents promote the public good in that patent protection incentivizes inventors. If inventors of useful discoveries could not protect their works from use or exploitation by others, there would be little motivation to expend effort, time, and money in creating inventions. The introduction of new products and processes benefits society. In return for the full disclosure to the public of the specifics of the invention, thus advancing science and technology, the inventor is given a limited period of time within which to exploit his or her invention and exclude others from doing so. Inventors are thus encouraged to create new products, and the public benefits from inventions that ultimately will fall into the public domain.

RIGHTS UNDER FEDERAL LAW

As stated, patent law derives from the Constitution. In 1790, pursuant to the direction provided in the Constitution, Congress passed the first patent statute, which in large part relied upon English law. Just three years later, the statute was replaced with a new act authored by Thomas Jefferson. These early

acts provided the structural framework for U.S. patent law and specified the four basic conditions, still existing, that an invention must satisfy to secure patent protection:

1. The invention must be a utility, design, or plant patent.
2. It must be useful (or ornamental in the case of a design patent or distinctive in the case of a plant patent).
3. It must be novel in relation to the prior art in the field.
4. It must not be obvious to a person of ordinary skill in the field.

Revisions of federal patent statutes occurred in 1836 when the Patent Office was created and again in 1870 and 1897. Thereafter, in 1952, Congress enacted a new patent act, codified in Title 35 of the *United States Code*. The America Inventors Protection Act of 1999 (discussed in later chapters) also produced some major changes in patent law. In 2011, however, Congress passed the most significant revisions to federal patent law since 1952 when it enacted the **Leahy-Smith America Invents Act (AIA)**. Issues relating to patents are resolved solely by federal law. Moreover, development of patent law has evolved primarily through federal court decisions rather than the legislature. Just as seen in copyright law, where the term *writings* has been held to be broad enough to cover emerging technologies such as computer programs, the language in the 1793 act relating to the protectability of machines, manufactures, art (later changed to *process*), and compositions is broad enough to cover new developments such as computers and electronics. In 1982, Congress created a new court, the Court of Appeals for the Federal Circuit (CAFC), to exercise exclusive jurisdiction over all cases involving patent issues and to promote uniform interpretation of the U.S. patent statutes, which until then had been interpreted in often inconsistent ways by

the various federal courts of appeals throughout the nation.

Unlike trademark and copyright law, both of which recognize common law rights in marks and works of authorship even without federal registration, patent law requires that an inventor secure issuance of a patent from the U.S. government to protect and enforce his or her rights against infringers. Inventors, however, may also secure some protection for their works under trade secret law (see Chapter 22). Moreover, some inventions, such as computer programs, are protectable under copyright law as well as patent law.

U.S. PATENT AND TRADEMARK OFFICE

Patents exist only by authority of government grant. The department of the government responsible for granting patents is the Department of Commerce, acting through the USPTO. The USPTO receives applications, reviews them, and issues or grants patents. The USPTO also publishes and disseminates patent information, records assignments of patents, maintains files of U.S. and foreign patents, and maintains a search room for public use in examining issued patents and records. The present address for mailing most patent-related documents is Mail Stop ____ (insert particular mail stop or box number per USPTO website instructions), Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450. Because addresses may change, always check the USPTO website before submitting documents or correspondence to the USPTO. Most correspondence with the USPTO, however, is submitted electronically. Additionally, the USPTO website (<http://www.uspto.gov>) offers a wealth of general information, forms for downloading, patent statistics, news updates about issues affecting the USPTO and patent practice, schedules of patent fees, and other valuable information.

As secretary of state, Thomas Jefferson was the first head of the Patent Office. Legend has it that the reason the files in which patents are kept and maintained are called *shoes* is that the first patent applications were stored in Jefferson's shoeboxes.

The practices and procedures relating to examination and issuance of patents are found in the USPTO publication *Manual of Patent Examining Procedure* (MPEP), which most practitioners keep handy to serve as a reference tool for patent issues and questions. The entire text of the MPEP is available for viewing and downloading at the USPTO website.

Additionally, regulations relating to patents are found in Title 37 of the Code of Federal Regulations. These rules and regulations explain how the patent laws are to be implemented, provide procedures to be followed at the USPTO, and generally govern the day-to-day situations that may arise at the USPTO.

Various methods for locating patents are available. The University of New Hampshire's Franklin Pierce Center for Intellectual Property (<http://ipmall.info>) provides links to a variety of patent-related sites, including one listing famous patents, from Eli Whitney's cotton gin, to the application by Orville and Wilbur Wright for the airplane, to the first application for a computer program. Another site (http://www.colitz.com/site/wacky_new.html) identifies the "wacky patent of the month" and references issued patents for oddities such as a "pat on the back apparatus" and eye protectors for chickens.

Another way of locating and retrieving issued patents is through the USPTO patent database, which provides the full text of all patents issued since 1976 and full-page images of all patents issued since 1790. Patents from 1790 through 1975 are searchable only by patent number and the current patent classification system of identifying patents. Patents issued after 1975 are searchable through

a variety of techniques, including patent number, inventor name, or topic (using Boolean connectors). The USPTO website offers search tips, and patent searching is discussed further in Chapter 18.

More than eight million patents have been issued since the first patent in 1790. The patent office is increasingly busy. In 2011, 536,604 patent applications were filed, and 244,430 patents were issued. Many experts attribute the onslaught of filings to applications for software, telecommunications inventions, and Internet-related inventions.

(See Exhibit 17-1 for a list of famous patents issued in the United States.)

PATENTABILITY

An invention must satisfy four basic requirements to be eligible for patent protection:

1. The invention must be one of the types specified by statute as patentable subject matter (namely, a utility, design, or plant patent).
2. The invention must be useful (if the application is for a utility patent).
3. The invention must be novel.
4. The invention must be nonobvious.

Patentable Subject Matter—Utility Patents

There are three distinct types of patents: utility patents, design patents, and plant patents. Utility patents are the most common and cover a wide variety of inventions and discoveries, including the typewriter, the automobile, the sewing machine, the zipper, the helicopter, sulfa drugs, gene sequences, and genetically altered mice. Design patents cover new, original, and ornamental designs for useful articles such as furniture, jewelry, and containers. Plant patents cover new and distinct asexually reproduced plant varieties, such as hybrid flowers or

Patent Number	Inventor	Description	Date of Issuance
None	Samuel Hopkins	Improved potash process (first patent)	7/31/1790
None	Eli Whitney	Cotton gin	3/14/1794
None	Samuel Colt	Revolver	2/25/1836
1,647	Samuel F.B. Morse	Telegraph	6/20/1840
3,630	Linus Yale	Door lock	6/13/1844
6,281	Walter Hunt	Safety pin	4/10/1849
6,469	Abraham Lincoln	Buoying boats over shoals	5/22/1849
13,661	Isaac Singer	Sewing machine	10/9/1855
22,186	John Mason	Mason jar	11/30/1858
127,568	Richard Chesebrough	VASELINE® petroleum jelly	6/4/1872
140,245	Samuel Clemens	Scrapbook	6/24/1873
174,465	Alexander Graham Bell	Telephone	3/7/1876
182,346	Melville Bissell	Carpet sweeper	9/19/1876
223,898	Thomas Edison	Electric light	1/27/1880
388,850	George Eastman	Roll film camera	9/4/1888
473,653	Sarah Boone	Ironing board for sleeves	4/26/1892
504,038	Whitcomb Judson	Zipper	8/29/1893
644,077	Felix Hoffman	Aspirin	2/27/1900
686,046	Henry Ford	Automobile	11/5/1901
775,135	King Gillette	GILLETTE® safety razor	11/15/1904
821,393	Wilbur and Orville Wright	Airplane	5/22/1906
1,102,653	Robert Goddard	Two-stage rocket	7/7/1914
1,242,872	Clarence Saunders	Supermarket	10/9/1917
1,370,316	Harry Houdini	Diver's suit	3/1/1921
2,071,250	Wallace Carothers	Nylon	2/16/1937
2,177,627	Richard Drew	SCOTCH® cellophane tape	10/31/1939
2,682,235	Buckminster Fuller	Geodesic dome	6/29/1954
2,717,437	George de Mestrel	VELCRO® faster tape	9/13/1955
2,799,619	Seifter, Monaco, & Hoover	Tranquilizer	7/16/1957
4,270,182	Satya Asija	First computer program (software)	5/26/1981

EXHIBIT 17-1 Famous U.S. Patents

trees. Because the vast majority of patents are utility patents, they will be discussed first. Design and plant patents will be discussed later in this chapter.

Federal law (35 U.S.C. § 101) establishes the subject matter that can be protected by a **utility patent**: “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor . . .”

Although ideas are not patentable, processes are. A **process** is a method of doing something to produce a given result. According to *Cochrane v. Deener*, 94 U.S. 780, 788 (1877), a process is “an act, or series of acts, performed upon the subject-matter to be transformed and reduced to a different state or thing. If new and useful, it is just as patentable as is a piece of machinery.” A patent may be issued for a newly developed process or a new use of an already known process. Some examples of patented processes are the process for chrome plating; the process for making synthetic diamonds; processes for vulcanizing India rubber, smelting ore, tanning, and dyeing; Louis Pasteur’s 1873 patented yeast process; and Clarence Birdseye’s process for packaging frozen food. In fact, the first patent issued in the United States, to Samuel Hopkins in 1790, was entitled “improved potash process.” In some instances, not only the process but also the result of the process is patentable, such as U.S. Patent No. 6,881,428 for the “process of making a lactose-free milk and the milk so processed,” which combines a process (the method of manufacturing) with a product (the milk).

The other types of utility patents (machines, manufactures, and compositions of matter) are all products or items. A **machine** is a device with moving parts that accomplishes a result, such as a sewing machine or a blender. A **manufacture** includes anything under the sun that is made by humans; the term is broad enough to include a pitchfork and the

once-patented Monopoly game. It is often said that the category of “manufactures” is a type of catchall category to encompass devices or items not easily classified as machines, compositions of matter, or processes. A **composition of matter** is a combination of two or more chemical or other substances into a product, such as a synthetic diamond or the fabric known as polyester. An invention can also consist of some new use of a process, machine, manufacture, or composition of matter as long as that new use demonstrates significant change from the original invention. Thus, new and nonobvious uses of old inventions and compositions are patentable.

Usefulness

The Constitution itself provides that patent protection is available for “*useful arts*,” and 35 U.S.C. § 101, in defining what is patentable, states that patents are available for *useful* processes, machines, manufactures, and compositions of matter. Although **usefulness** is not a stringent standard, the invention must be of some benefit to society to be “useful.” Mere novelties or inventions that conflict with scientific principles, such as a perpetual motion machine, are not patentable because they are not useful. In brief, such an invention has no usefulness because it does not work. Similarly, inventions whose only purpose is detrimental or fraudulent or would promote illegal ends cannot be patented inasmuch as, by definition, they are not useful. For example, a patent was denied for a process of making a low-cost tobacco leaf that resembled a more select leaf on the basis that its only purpose was to deceive consumers. *Rickard v. Du Bon*, 103 F. 868 (2d Cir. 1900). Inventions that serve to amuse or entertain are considered useful. Generally, a small degree of utility is sufficient to show that an invention satisfies the requirement of usefulness. In fact, the commercial success of an invention is evidence of its utility.

The usefulness required of an invention must be present usefulness (determined at the time of invention), not usefulness purely for research purposes. Thus, patent protection will be denied to a drug whose usefulness cannot yet be shown or to a process, the result of which produces an article that has no current use. The fact that a drug, invention, or result of a process might show some benefit or usefulness at some time in the future is generally not sufficient and a patent therefor will be denied. Nevertheless, even if an invention or discovery shows no benefit to humans, it will be protected by patent law if usefulness for animals can be shown. Thus, drugs or compounds whose effectiveness has been demonstrated for animals can be patented even though their usefulness for humans cannot yet be shown. *In re Brana*, 51 F.3d 1560 (Fed. Cir. 1995). Applications that claim some drug or other substance is useful for humans must be accompanied by supporting evidence, usually results of tests or trials, and must show the substance is reasonably safe. To be patentable, an invention need not meet the stricter standards of regulatory agencies such as the Food and Drug Administration; it need only be “reasonably safe.”

To ensure that the invention is useful, the application must disclose or specify the usefulness of the invention. To allow a patent that does not specify its utility would be to grant a patent on an entire range of unknown applications, thereby allowing an inventor to obtain a monopoly on an entire field of knowledge. Thus, patent applications must describe their specific advantage or usefulness so the public can benefit from the invention. Similarly, a patent will be denied when an invention fails to operate as described or claimed in the application.

Novelty

Section 101 of the Patent Act requires that an invention (or any improvement to an invention) be “new” or novel.

Introduction. Current Section 102 of the Patent Act (effective only until March 16, 2013) elaborates on the requirement of **novelty** by setting forth certain situations that demonstrate the invention is not novel. Most codify the principle that will be recognized until March 16, 2013, that the first to invent will be granted a patent. If an invention is known or used by others, is the subject of an existing patent, or has been described or sold, then it is not novel and, accordingly, is not eligible for patent protection.

In such a case, it is deemed that the applicant’s invention was anticipated and an application will be denied. Often called the **doctrine of anticipation**, this principle is intended to ensure that a second or junior inventor does not secure a monopoly on an invention that a senior inventor owns or that is in the public domain.

Effective March 16, 2013, the AIA creates a new **first to file system**. Every industrialized nation other than the United States uses a “first to file” patent priority system. In such a system, when more than one application claiming the same invention is filed, priority is given to the earlier-filed application. The United States, by contrast, has used a **first to invent system**, in which, if there is a conflict over priority of inventorship, priority is established through a complex and expensive proceeding (called an “interference proceeding”) to determine which applicant invented the claimed invention first. In a first to file system, the filing date of the application is critical. This “line in the sand” filing date provides an objective and easy way of determining which inventor is entitled to a patent.

Because the U.S. “first to invent” system was out of step with that of nearly all other countries and required patent practitioners who filed applications in other countries to comply with two different systems, in 2011, Congress passed the AIA to move the United States to a first to file system. The new system, however, will continue to provide inventors the one-year **grace period** or statute of limitations they

have always enjoyed: Applicants' own publication or disclosure of their invention that occurs within one year prior to filing will not act as prior art against their applications so as to bar the application. Similarly, disclosure by others during that time based on information obtained (directly or indirectly) from the inventor will not constitute prior art. This one-year grace period should continue to give U.S. applicants the time they need to prepare and file their applications. Because it is presumed that inventors will need some period of time to adjust to this entirely new system, the U.S. will follow its "first to invent" system until March 16, 2013, on which date it will convert to a "first to file" system with the one-year grace period described.

Applications and Novelty after March 16, 2013. Pursuant to 35 U.S.C. § 102, effective March 16, 2013, a person will be entitled to a patent unless the claimed invention was already patented, described in a printed publication, or in public use, on sale, or otherwise available to the public *anywhere in the world* before the filing date of the application for the invention. Nevertheless, as described previously, a disclosure made one year or less before the filing date will not bar the application as prior art if the disclosure was made by the inventor or by another who obtained the information disclosed directly or indirectly from the inventor. Thus, once the inventor publishes or discloses his or her invention, he or she has one year to file the patent application. Failure to file an application within the one-year grace period will bar issuance of a patent. After March 16, 2013, any public use or sale of the invention prior to the application filing date will preclude the granting of a patent unless the disclosure is by the inventor or one who obtained the subject matter directly or indirectly from the inventor.

Applications and Novelty until March 16, 2013. Until March 16, 2013, when the AIA converts the United States to a first to file system,

a number of conditions will defeat novelty required under 35 U.S.C. § 102. Most of current Section 102's provisions are all intended to ensure patents are granted to the first inventor. The second or junior inventor's product or process is not novel in such circumstances. The conditions that will defeat novelty required under 35 U.S.C. § 102 and prevent the granting of a patent are the following:

- **Section 102(a): Invention is known or used by others.** If the invention is known or used by others in the United States or patented or described in a printed publication in this or a foreign country before its invention by the applicant, it cannot be patented. This provision articulates the "first to invent" rule that will be followed in the United States until March 16, 2013, and is directed to the acts of others. If another has used the invention, patented it, or described it in a printed publication before the applicant invented it, the invention is not novel, and an applicant who is not the first to invent is not entitled to receive a patent for the invention.
- **Section 102(b): Invention is in use or on sale.** If the invention is patented or described in a printed publication in this or a foreign country or in public use or on sale in this country more than one year before the application for the patent is filed, it cannot be patented. These requirements of current Section 102(b), typically called the **on sale bar**, are intended to ensure that inventors act promptly to secure protection for their inventions. Once an invention is in public use or offered for sale or sold in the United States or is patented or described in a printed publication anywhere, the inventor has a one-year grace period to file an application.

The one-year grace period is often triggered by the inventor's own acts, such as offering the article for sale, describing it in a promotional literature, and so forth.

The on sale bar of current 35 U.S.C. § 102(b) engenders many refusals by the USPTO. It is intended to encourage prompt action by inventors. It would be unfair to allow an inventor to use an invention for profit and delay filing for an application because such a delay has the effect of adding time to the term of protection for the patent and delaying its entry into the public domain.

Recall that the focus of Section 102(a) is on the acts of those *other than* the inventor. The focus of Section 102(b) is on the actions of both the inventor and others more than one year before the inventor files his or her patent application (although it is often the inventor's own acts that trigger the one-year time bar). Another distinction between the two subsections is that Section 102(a) bars a patent if the invention was patented or described in a printed publication anywhere in the world before the *invention* by the applicant; Section 102(b) bars a patent if the invention was printed or described anywhere in the world more than one year before an *application* is filed for the invention.

- **Section 102(c): *Invention has been abandoned.*** A person cannot obtain a patent if he or she has abandoned the invention. Abandonment is shown when the inventor expressly or impliedly demonstrates an intent to abandon his or her right to a patent. Abandonment usually requires an intentional act. Delay alone in filing an application does not usually constitute abandonment (although if no steps are taken to patent the invention and delay is unreasonable, abandonment may be found).
- **Section 102(d): *Invention is the subject of a foreign patent.***
- **Section 102(e): *Invention is described in a prior published application or patent.***
- **Section 102(f): *Inventor did not invent the invention.*** Only the inventor is entitled to a patent

for the invention or discovery. The inventor is the person who conceived the specific invention. If the inventor derived the invention from another, a rejection under Section 102(f) is proper. Parties who work jointly on an invention may be joint inventors even though their contributions are not equal or simultaneous. An application for the resulting invention must name all inventors.

- **Section 102(g): *Invention was first invented by others.*** In determining priority of invention, the current statute provides that the dates the inventors conceived of the invention, the dates they reduced their inventions to practice, and their reasonable diligence in reducing the invention to practice will be considered. As discussed in Chapter 19, reduction to practice can be actual (making or building the invention or a prototype) or constructive (filing an application for a patent after invention).

Under the AIA, and effective March 16, 2013, all of these complex and subjective concepts related to determining who was the first to invent will be eliminated because the first to file system provides an objective and clear manner of determining novelty: The filing date controls.

Publication of Invention. Both before and after March 16, 2013, an invention is deemed to be “described in a printed publication” when it is printed in nearly any kind of document by any means (including electronic means) and has been made available to the public in such a manner that a person of ordinary skill in the art could make the invention. Such availability can occur by circulating copies of a document at a conference, releasing advertising brochures, or disseminating a thesis. Internal business documents or documents provided to others under conditions of confidentiality are not publications within the meaning of the statute. Thus, inventors should place confidentiality notices

on documents to prevent triggering “publication” of the invention.

When an Invention Is “In Public Use.”

Both before and after March 16, 2013, an invention is deemed to be “in public use” if it is being used in the manner intended by the inventor without any confidentiality restrictions. An exception allows **experimental use** of the invention so that the inventor can perfect the invention or ascertain whether it will fulfill its intended purpose. Thus, such experimental use will not defeat novelty. Similarly, private use by the inventor or use for the inventor’s own enjoyment will not defeat novelty; however, an invention that is “ready for patenting” will defeat novelty if there is a commercial offer for sale of the invention. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55 (1998). In *Pfaff*, the one-year on sale bar of current 35 U.S.C. § 102(b) applied although the inventor had made only engineering drawings and had not yet made the invention, because he had accepted an offer to sell the invention.

An invention is deemed to be “on sale” if it is offered for sale, even though no actual sales occur. Even a single sale or offer to sell may bar patentability.

Nonobviousness

Merely because an invention is useful and novel does not automatically entitle it to patent protection. To qualify for a grant of patent, the invention must be nonobvious to those having ordinary skill in the field or art to which the subject matter pertains. 35 U.S.C. § 103. The subject matter sought to be patented must be sufficiently different from what has been used or described before that it may be said to be nonobvious to a person having ordinary skill in the area of technology related to the invention. For example, the substitution of one material for another in an invention and mere changes in size are ordinarily not patentable because they are obvious. A distinct improvement, however, is patentable even if the new

invention improves matter in the public domain. Similarly, a new use of a known process is patentable.

Determining whether an invention is nonobvious is one of the most difficult tasks in patent law. After all, a disposable razor, a safety pin, and a retractable tape measure all seem obvious now, yet none of these items were obvious at the time they were invented.

Until the 1952 Patent Act, courts generally required that an invention result from a “flash of genius” or some sudden insight (an inventor’s “aha!” moment). The view was that an invention must have been so nonobvious that no amount of diligent research would have produced it. The Act now provides (and will continue to provide after the AIA) that patentability shall not be negated by the manner in which the invention was made. 35 U.S.C. § 103. Thus, whether an invention is produced by dint of arduous research or a flash of genius does not determine whether it is nonobvious.

The present method of determining **nonobviousness** is by reference to the prior art. **Prior art** is generally defined as all information available to the public in any form about an invention. Until March 16, 2013, when the United States moves to a “first to file” system, prior art is measured from the date of *invention*. On and after March 16, 2013, prior art will be measured from the date of *filing* the application, meaning that information that publicly exists prior to the filing date (other than disclosures by the inventor within one year before filing) will bar the application.

The Graham Factors. In *Graham v. John Deere Co.*, 383 U.S. 1 (1966), the Supreme Court articulated the following factors to consider in determining whether an invention is nonobvious and thus deserving of a patent.

Analogous Prior Art. One must review the scope and content of the prior art in the pertinent field to determine if an invention is nonobvious. Remember that the term prior art refers to the

generally available public knowledge relating to the invention for which a patent is sought and that was available prior to invention (or filing, after March 16, 2013). Thus, information contained in existing patents, printed publications, and inventions that were known and used will be considered.

Prior art is pertinent or analogous if it is from the same field of endeavor or from a different field of endeavor but reasonably related to the same problem as that addressed by the invention. *Graham* involved a type of shock-absorber system for a plow shank. Thus, a review of the analogous prior art should consider other plow shanks as well as other shock-absorbing devices (regardless of the field, e.g., shock absorbers used for plow shanks, airplanes, or cars).

Differences between the Prior Art and the Invention. In determining whether an invention is nonobvious, consideration must be given to differences between the prior art and the invention at issue. Applicants themselves may include statements in their applications in regard to how their inventions differ from and are improvements over prior art. An invention that achieves superior results is likely not obvious.

Level of Ordinary Skill in the Prior Art. Prior to March 16, 2013, if at the time the *invention was made*, the invention would be obvious to a person having ordinary skill in the art to which the invention pertains, it cannot be patented. After March 16, 2013, if at the time the patent *application is filed*, the invention would be obvious to a person having ordinary skill in the art to which the invention pertains, it cannot be patented. A person of “ordinary skill” is neither a highly sophisticated expert or genius in the art nor a layperson with no knowledge of the field of art, but rather some hypothetical person who is aware of the pertinent prior art.

Secondary Considerations. In *Graham*, after enumerating the factors evaluated in determining whether an invention is nonobvious, the Court suggested that some **secondary considerations**, all of which are nontechnical and objective, might be considered in determining nonobviousness. Some of the secondary considerations include the following:

- **Commercial success.** An invention that is a commercial success may be nonobvious because acceptance by the marketplace tends to show that an invention is significant; moreover, if the invention were obvious, someone would already have attempted to commercialize it for his or her own financial gain.
- **Long-felt need and failure of others.** If there has been a longstanding need for a device or process that has gone unresolved despite the efforts of others to solve the problem, and the invention satisfies this need, it tends to show the invention is nonobvious. If the invention were obvious, others would have been able to discover it readily. Similarly, skepticism and incredulity of experts tends to show nonobviousness.
- **Commercial acquiescence.** If competitors seek to enter into licenses with the owner so they may use or sell the invention to others, such tends to show nonobviousness because otherwise the third parties would have challenged the patent as invalid based on obviousness.
- **Copying.** Copying or infringement of the patent by another suggests nonobviousness because otherwise the infringer would have been able to independently develop the invention. Conversely, the independent and near-simultaneous invention of like products or processes tends to suggest obviousness. If it is easy for a number of people in the field to invent the same product or process, it is likely obvious to those with ordinary skill in the art.

To ensure that courts do not overrely on the secondary considerations (commercial success, long-felt need, commercial acquiescence, and copying), the Federal Circuit requires that a party demonstrate some link, or *nexus*, between the secondary characteristic and the invention. For example, if an inventor argues that an invention is nonobvious because it is commercially successful, the inventor must demonstrate that commercial success is due to some property inherent in the invention, rather than due to some external factor such as aggressive marketing or the renown of the inventor.

Combination Patents. One area that has caused debate over obviousness relates to new inventions consisting of a combination of older, known elements. The unique combination of the elements may make the invention novel, but the combination must be nonobvious to receive patent protection. A factor sometimes used in determining whether these patents, often called **combination patents**, are nonobvious is *synergism*: The newly combined elements must result in some different function or some result that is different or unexpected such that one who possesses ordinary skill in the art would not have predicted the result of the combination of the known elements. If there is such a new result, the invention is nonobvious and is patentable.

The Patent Act was amended in 1996 to provide preference to inventions relating to biotechnology processes. Section 103(b) expressly provides that a biotechnological process is nonobvious if it uses or results in a novel, nonobvious product or composition. Thus, the process as well as the composition is patentable in the biotechnology field.

There is overlap between the requirements of novelty and nonobviousness. Both depend on examination of prior art. To ensure novelty, one must examine the prior art (what others know, use, and publish) to determine if the invention could have been anticipated. To ensure nonobviousness, one

must examine the scope and content of pertinent prior art to determine if the invention would be obvious to a person having ordinary skill in the field.

In 2004, Congress passed the CREATE Act to promote cooperative research and development among universities, the government, and private companies. Under this law (which will be included in AIA's revised Section 102), information disclosed by one entity to another (for example, by a university employee to a private company) will not create a bar to patentability as prior art. Their work is deemed owned by the same entity and not subject to an obviousness objection as prior art if certain conditions are met (such as having a joint research agreement).

In one of the most important patent rulings in a generation, in 2007, the U.S. Supreme Court tightened the obviousness standards for obtaining patents on new products that combine elements of already existing inventions. In *KSR International Inc. v. Teleflex Inc.*, 550 U.S. 398 (2007), a unanimous Court held that if the combination results from nothing more than "ordinary innovation" and does nothing more than yield "predictable results," the invention is obvious and is not entitled to patent protection. The Court held that the Federal Circuit's test (which had held that if there was a "teaching, suggestion, or motivation" in the prior art that would have led a person of ordinary skill in the relevant field to combine known elements, the resulting invention should be barred for obviousness) had been too strictly applied and often required third-party documentation. The Court endorsed a more "common sense" and flexible approach: If a person of ordinary skill in the art can implement a predictable variation of an invention and would see the benefit of doing so, then the invention should be barred for obviousness. While the "teaching, suggestion, motivation" test provides helpful insights (and was not eliminated by the ruling in *KSR*), it cannot be used in a rigid and inflexible manner. In determining obviousness,

ETHICS
EDGECOMPETENT
LEGAL
RESEARCH

The duty to perform adequate legal research has been discussed in several cases. Legal professionals are expected to know common principles of law and to be able to discover other rules of law that may readily be found by standard research techniques. *Camarillo v. Vaage*, 130 Cal. Rptr. 2d 26, 32 (Ct. App. 2003). Thus, patent paralegals must be familiar with basic patent principles relating to novelty and nonobviousness.

one must thus ask whether the improvement is more than a predictable use of prior art elements according to their established functions. Accordingly, if at the time of invention there is a known problem for which there is an obvious solution, an invention should be barred for obviousness. Conversely, if the elements of an invention work together in an unexpected and fruitful manner, then the invention is likely not obvious. Most experts correctly predicted that the ruling in *KSR* would have far-reaching implications and would make obtaining patents more difficult (because patent examiners will reject applications for patents on the basis that the invention results from nothing more than ordinary innovation and is thus obvious). In fact, the USPTO has issued guidelines for its examiners to help them determine obviousness in the wake of *KSR*. Paradoxically, although this tightening of the obviousness test may stem the tide of junk patents, it may also produce litigation challenging existing patents on the basis that they are obvious. In fact, in just the first four years after the decision in *KSR*, more than 600 court cases and thousands of administrative decisions had cited it.

Exclusions from Patent Protection

There are a variety of items, products, and processes that cannot be patented. The following are excluded

from patent protection either by statutory prohibition or judicial interpretation:

- **Products of nature.** Only human-made inventions can be patented. Naturally occurring substances cannot be protected by patent even if they have previously been unknown to others. For example, a new plant or mineral that is discovered cannot be patented. On the other hand, genetically altered living organisms can be patented as “manufactures” or “compositions of matter.” In *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), the Court held that a live, human-made microorganism (in that case, a genetically engineered bacterium capable of breaking down crude oil) was patentable as a human-made “manufacture” or “composition of matter” and stated that “anything under the sun made by man” is patentable. Thus, genetically altered oysters and mice have been held patentable. The distinction is not between living and inanimate things but between products of nature (whether living or not) and human-made inventions. *Id.* at 313. The new AIA expressly prohibits the patenting of human organisms.
- **Laws of nature.** Laws of nature, physical phenomena, scientific truths, and abstract ideas cannot be patented. As the Court remarked in *Chakrabarty*, “Einstein could not patent his

celebrated law that $E = mc^2$; nor could Newton have patented the law of gravity.” *Id.* at 310. Generally, mere chemical or mathematical formulas or algorithms divorced from any tangible result cannot be patented; however, chemical substances can be patented, systems using formulas can be patented as processes, and items that are produced as the result of formulas can be patented. Thus, a machine or product that depends on some law of physics or the law of gravity can be patented. One example given by the USPTO is that the concept of magnetism is not patentable, but a magnetic door latch (the practical application of the concept) is patentable. A process is not unpatentable merely because it contains a law of nature or a pure mathematical algorithm. Similarly, computer programs, although they consist of algorithms, can be patented in many instances. In *Diamond v. Diehr*, 450 U.S. 175 (1981), a patent was upheld for the process of molding rubber products with the aid of a computer. The Court noted that although mathematical formulas as such are not patentable, a process employing a well-known mathematical equation was patentable. Additionally, the use of a computer to improve an otherwise patentable process did not preclude the process from being patented. Thus, incorporating a computer program as a step in a process or as a component in a machine or manufacture may be acceptable. In sum, a disembodied mathematical concept that represents a law of nature or abstract idea is not patentable; however, if the principle is either tied to a particular machine or apparatus or transforms a particular article into a different state or thing, it *may* be patentable. See Chapter 21 for additional discussion on protection of computer programs under patent law.

- **Printed matter.** Printed forms cannot be patented.

- **Atomic weapons.** Under the Atomic Energy Act of 1954, atomic weapons cannot be patented.
- **Business methods and mental steps.** Systems for the operation of businesses cannot be patented unless they are more than mere abstract ideas. For example, in a key patent decision, in 2010 the U.S. Supreme Court held that a method by which energy consumers could protect themselves against the risk of price fluctuations (namely, a method of hedging risk) was not patentable because it was a mere abstract idea. *Bilski v. Kappos*, 130 S. Ct. 3218 (2010). Similarly, processes consisting solely of mental steps, meaning human thought and deliberation, cannot be patented. Finally, under the AIA and effective September 16, 2011, any strategy for avoiding, reducing, or deferring tax liability cannot be patented because it is deemed prior art. See Chapter 21 for additional discussion on this topic.

DESIGN PATENTS

The Patent Act provides that whoever invents any new, original, and ornamental design for an article of manufacture may obtain a patent. 35 U.S.C. § 171. Comparing the scope of this provision to that of Section 101 relating to utility patents, it is clear that the requirement of “usefulness” for utility patents has been replaced by a requirement of “ornamentality.” The design must be novel and nonobvious. Just as a person may obtain a patent for a chemical compound and one for the process utilizing the chemical compound, a person may obtain a utility patent and a design patent for one article of manufacture because a useful article may be ornamented with a design. A **design patent** can be obtained for articles as diverse as jewelry, furniture, trash receptacles, and clothing (such as an ornamental design for a shoe).

Recognizing that while authors could seek protection for their works under copyright law and inventors could seek protection for their works

under patent law, no protection was afforded for the creators of decorative arts, Congress filled this gap and allowed design patents in 1842. One of the first design patent cases related to a claim by Gorham Manufacturing that its spoon and fork handle design patents had been infringed. *Gorham Mfg. v. White*, 81 U.S. (14 Wall.) 511 (1871). In *Gorham*, the Court noted that the intent of the design patent statute was to encourage the decorative arts.

To be protectable a design must satisfy the following four requirements:

1. ***It must be an article of manufacture.*** An **article of manufacture** is nearly anything made by a human and may consist of a manufactured article's configuration (the particular shape of a chair), surface ornamentation (the design on the handle of tableware), or a combination of both (a uniquely shaped fork with two irregularly sized tines, embossed with a leaf design).
2. ***It must be new.*** The requirements of novelty for utility patents discussed in the previous section on patentability under the heading "Novelty" apply equally to design patents.
3. ***It must be original.*** The requirement of originality is often viewed as the equivalent of the requirement of nonobviousness for utility patents. A design cannot be patented if a designer of ordinary skill who designs articles similar to the one applied for would consider the design obvious in view of the prior art.
4. ***It must be ornamental.*** To be patentable, a design must be primarily ornamental rather than utilitarian. The article may serve a useful purpose (e.g., a spoon and a chair serve a useful purpose), but its primary purpose cannot be functional. A design or shape that is entirely functional, without ornamental or decorative aspect, does not meet the criteria for a design patent. If there are several ways that an item could be designed and yet still remain functional, then any one design

is likely ornamental rather than functional. An article may qualify for design patent protection if at some point in its life cycle its appearance is a factor even if, when ultimately used, the article is hidden. Thus, caskets and artificial hip prostheses have been given design patent protection. Although both are primarily useful, the appearance of the article is of importance at some point, even though when put to their intended use, the articles are hidden from view. The bars to novelty set forth in Section 102 and discussed earlier in this chapter apply equally to design patents whether before or after the relevant provisions of the AIA take effect. For example, after March 16, 2013, a design patent will be awarded to the first inventor to file the application for it (and the inventor has a one-year grace period after his or her disclosure of the invention to file the application). Most of the bars aim at ensuring that designs are promptly patented.

There is some overlap between design patents and copyright. It has been held that the same work can qualify for protection under both copyright law and patent law. For example, the drawing of a cartoon character can be protected under copyright law; when the character is embossed on some article, such as china plates, it may be protected under patent law. Similarly, the same item may qualify for protection under trademark law and patent law. For example, in a case involving the shape of a bottle of Mogen David wine, the court stated the design qualified for both patent and trademark protection. *In re Mogen David Wine Corp.*, 328 F.2d 925 (C.C.P.A. 1964). Finally, there is overlap between trade dress protection and patent law such that the ornamental appearance of an item may be protected under trade dress law and as a design patent. Securing copyright protection is generally the easiest and least expensive method of protecting

certain designs. Although copyright registration is not required, a copyright registration may be obtained for a filing fee of \$35 (for online filing) within several months, and protection will last for the life of the author plus 70 years. Trademark registrations can last forever (if they are properly maintained and renewed), and patent protection comes into being only once the patent issues, a process that may take three years or longer from the date of application. Moreover, the nonrenewable term of a design patent is 14 years from the date of issuance of grant. Practical matters should also be considered. If a design will likely be somewhat limited in its appeal or trendy, such as a piece of jewelry, it is far less expensive and far more expeditious to obtain copyright rather than patent protection for the item. Thus, a combination of intellectual property strategies may be needed to secure the broadest possible scope of protection for certain articles.

PLANT PATENTS

Patents for plants have been recognized only since the passage of the Plant Patent Act in 1930. Prior to that time, the philosophy was that plants were natural products not subject to patent protection. Section 161 of the Patent Act now provides that whoever invents or discovers and asexually reproduces any distinct and new variety of plant may obtain a patent therefor. Just as design patents substitute the requirement of “ornamentality” for the “usefulness” required of utility patents, plant patents substitute the requirement of “distinctiveness” in place of “usefulness.”

Congress allowed patents for plants to provide the benefits of the patent system that were then available to manufacturing and industry to the agriculture business in order to incentivize growers and protect their plant products from infringement. Without patent protection, copies of plants could

be produced by grafting techniques. Thus, a **plant patent** affords its owner the right to exclude others from asexually reproducing the plant. The term of protection is the same as that for utility patents, namely, 20 years from the patent application date. The term *plant* is construed in its ordinary meaning and does not include bacteria. The use of the term *discovery* means a discovery by asexual propagation; plants discovered in the wild cannot be patented; however, a plant discovered in a cultivated area and later reproduced asexually can be patented. Tubers, such as Irish potatoes, are not eligible for protection under the Plant Patent Act (due to their importance as a food source).

There are four requirements that must be satisfied before a plant can be patented:

1. ***The new variety must be asexually reproduced.*** A grower or discoverer of a new and distinct variety of plant must be able to reproduce the plant by asexual means. Generally, this is accomplished by taking cuttings of the original plant and placing them in soil or by grafting so as to create a new plant. **Asexual reproduction** involves growing something other than from a seed.
2. ***The plant must be distinctive.*** The new plant must be clearly distinguishable from existing varieties. Features that show distinctiveness are color, odor, flavor, shape, ability of the plant to grow in a different type of soil, its productivity, its factors of preservation, or immunity to disease. The requirement of distinctiveness imposes only a requirement that the plant be different from, rather than superior to, other varieties. A new color of a rose may be different from other roses but may not be better than some other rose variety. Nevertheless, it may be patented. There is a great deal of overlap between nonobviousness for utility patents and distinctiveness for plant patents. One patent

for a variety of bluegrass recites that the plant is a “new and distinct variety of Kentucky Bluegrass characterized by its excellent tolerance to drought, low fertilizer requirements, deep rooting system, excellent tolerance to Fusarium blight, and good to excellent shade tolerance. The plant tolerates a close cut, is highly resistant to most common bluegrass diseases, is extremely aggressive, has a medium to coarse leaf texture and consistently maintains excellent turf quality.” U.S. Plant Patent No. PP4,704.

3. **The plant must be novel.** The new variety of plant must not have previously existed in nature. The bars to novelty set forth in Section 102 and discussed in the earlier section on patentability under the heading “Novelty” apply equally to plant patents (whether before or after the enactment of the AIA). For example, after March 16, 2013, a plant patent will be awarded to the first inventor to file the application for it (and the inventor has a one-year grace period

after his or her disclosure of the invention to file the application).

4. **The plant must be nonobvious.** Although Section 161 of the Patent Act providing for statutory protection for plant patents does not specifically state that patents for plants must be nonobvious, the section does provide that the provisions of the Act relating to utility patents apply equally to plant patents unless otherwise specified. Generally, the standards set forth in *Graham v. John Deere Co.*, discussed in the earlier section on patentability under the heading “Nonobviousness,” apply equally with regard to plant patents.

See Exhibit 17–2 for comparison of utility, design, and plant patents.

Although the most common means of securing protection for plants is through application for a plant patent, two other methods of protection exist for plants. In 1970, Congress enacted the **Plant Variety Protection Act** (7 U.S.C. § 2321),

	Utility Patent 35 U.S.C. § 101	Design Patent 35 U.S.C. § 171	Plant Patent 35 U.S.C. § 161
Inventions Covered	Processes, machines, manufactures, compositions of matter, or improvements thereof	Designs for articles of manufacture	Plant varieties
Usefulness Required	Yes	No	No
Novelty Required	Yes	Yes	Yes
Nonobviousness Required	Yes	Yes (referred to as “originality”)	Yes
Ornamentality Required	NA	Yes	No
Asexual Reproduction Required	NA	NA	Yes
Distinctiveness Required	NA	NA	Yes

EXHIBIT 17–2 Comparison of Utility, Design, and Plant Patents

allowing quasipatent protection for certain sexually reproduced plants, meaning plants bred through seeds. Sexually reproduced plants could not receive protection under the 1930 Plant Patent Act because new varieties could not be reproduced true-to-type through seedlings. The new variety was not always stable, and its new characteristics could not be passed uniformly from one generation to the next. By 1970, however, it was generally recognized that true-to-type sexual reproduction of plants is possible, and the Plant Variety Protection Act was passed.

These new varieties, produced through the use of seeds, are awarded “plant variety protection certificates” by the Department of Agriculture, rather than letters patent issued by the USPTO. The primary purpose of the Plant Variety Protection Act is to encourage the development of novel varieties of sexually reproduced plants. The certificate owner may exclude others from selling, offering, reproducing, or trading infringing plants. The term of protection is generally 20 years from date of issue of the certificate.

Finally, a plant may qualify for protection as a utility patent, even though it also qualifies for protection under the Plant Patent Act as a plant patent or under the Plant Variety Protection Act for patent-like protection. An application for a utility patent for a plant must satisfy the requirements for utility patents generally, namely, usefulness, novelty, and nonobviousness.

In some cases, matters of tactics and strategy may dictate whether an inventor seeks protection for a plant under the Plant Patent Act of 1930, the Plant Variety Protection Act of 1970, or as a general utility patent. Although the most significant determinant is how the plant can be reproduced (asexual reproduction is required under the Plant Patent Act while sexual plant reproduction is protected under the Plant Variety Protection Act), other factors should be considered. For example, the requirement that an invention be nonobvious applies to utility

patents and plant patents reproduced asexually, but not to the Plant Variety Protection Act. Thus, an inventor who cannot demonstrate nonobviousness might seek protection under the Plant Variety Protection Act. Similarly, fees to maintain the patent are due on utility patents but not on plant patents. Assuming applications do not claim identical subject matter, it is possible that a patent could be obtained for a plant both under the Plant Patent Act and under the Patent Act as a utility patent. Each statute has different requirements and affords different protections.

DOUBLE PATENTING

The **double patenting** principle prohibits the issuance of more than one patent for the same invention or for an invention that is substantially the same as that owned by an inventor. The intent of this bar is to ensure that inventors do not make some insignificant change to an invention near the end of its term of existence in order to secure another 20-year monopoly on the invention or discovery. Nevertheless, design and utility patents may coexist for the same item because they relate to arguably distinct subject matter. A utility patent claims protection for the usefulness of the object while a design patent covers its ornamentality. If the USPTO refuses a patent application on the basis of double patenting, inventors often respond by inserting a **terminal disclaimer** into their applications, agreeing that the term of protection for a second invention will terminate upon expiration of the patent for the first invention and that the patent claim to the second invention will be valid only as long as both inventions are owned by the same person or entity. Both patents will thus expire on the same day. Such a disclaimer will enable an inventor to overcome a rejection based on double patenting. Double patenting is discussed further in Chapter 18.

THE ORPHAN DRUG ACT

Just as the Plant Variety Protection Act grants rights somewhat similar to patents, the Orphan Drug Act (21 U.S.C. §§ 360aa–360ee) provides rights for certain drugs that are similar to patent rights, namely, an exclusive right for seven years to market an **orphan drug** that is necessary to treat a disease that affects fewer than 200,000 people. Protection under the Act is triggered when the Food and Drug Administration

determines that unless such protection is granted, the drug would likely not be made or available to those in need of it. The Act applies whether or not the drug can be patented (thus affording protection for drugs that may lack novelty or nonobviousness). The Act thus provides incentives to pharmaceutical companies to develop drugs for rare diseases or conditions when otherwise they might not invest the time and effort in developing a drug for a small target group if patentability could not be assured.

TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA

- Most experts attribute the modern concepts of patents to England, where, in 1449, King Henry VI granted a patent for manufacturing stained glass to John of Utynam.
- Between fiscal years 2004 and 2011, the number of patent applications filed increased 15 percent.
- More than 94 percent of the patent applications filed with the USPTO are for utility patents; approximately 5 percent are for design patents; and less than 1 percent are for plant patents.
- George Washington Carver invented more than 300 uses for peanuts.
- The inventor of VELCRO® reported that he thought of the invention while removing burrs from his pet's fur after walking in the woods.

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CHAPTER SUMMARY

A patent is a grant from the federal government allowing an inventor to exclude others from producing, using, selling, or importing the inventor's discovery or invention for a limited period of time, generally 20 years from the filing date of a patent application. Patent laws are aimed at fostering and promoting discoveries. There are three types of patents: utility patents, design patents, and plant patents. The vast majority of patents are utility patents, which must satisfy the requirements of usefulness, novelty, and nonobviousness in order to secure protection. An invention or discovery that is merely an insignificant addition to or trivial alteration of something already known or in existence is unpatentable. Protection is allowed for processes, machines, human-made articles of manufacture, and compositions of matter.

Not all inventions or discoveries may be patented. Additionally, patents are not available for scientific or mathematical principles, some business methods, printed matter, or substances existing in nature. Generally, until March 16, 2013, patents will be awarded to the first to invent. After that date, the United States will move to a “first to file” system, and patents will be awarded to the first to file the application for the claimed invention.

Design patents protect original, new, and ornamental designs for articles of manufacture. Plant patents protect new and distinct varieties of asexually reproduced plants.

CASE ILLUSTRATION

EXPERIMENTAL USE

Case: *TP Laboratories, Inc. v. Professional Positioners, Inc.*, 724 F.2d 965 (Fed. Cir. 1984)

Facts: Plaintiff sued for infringement of its patented orthodontic device, and defendants asserted that the patent was invalid because the invention was in public use more than one year prior to the patent application therefor. The district court held that the invention was in public use and was thus invalid. Plaintiff appealed, alleging that its use was experimental use.

Holding: Reversed. The invention, a molded tooth positioning appliance, was used on at least three of plaintiff’s patients more than one year before the patent application for the device was filed. However, the Federal Circuit held that such use was experimental. It was not a public use because disclosure of the device to the patients who used or tested it could not be avoided. Moreover, there were no sales or commercial exploitation of the device at any time before the patent application was filed. Such showed that the device was merely being tested rather than commercially used.

CASE STUDY AND ACTIVITIES

Case Study: Holiday’s engineers have invented a new device that more accurately tracks passengers as they embark and disembark its ships. The device was invented on April 14, 2011, although a patent application was not filed for the device until May 20, 2012, because Holiday was testing the device on three of its ships to ensure it worked properly. Holiday began offering the device for sale only after it filed its patent application. The patent was granted. Also, Holiday’s design team recently developed a new design for a massage mat to be used in the ship spas.

Activities: Discuss whether the patent for the tracking device is valid and whether the massage mat is patentable.

ROLE OF PARALEGAL

Until patent searching begins and an application is filed, the role of an IP paralegal will be somewhat limited. Typically, tasks may consist of conducting research to help assess and satisfy the required elements of usefulness, novelty, and nonobviousness. If a law firm does not have a general information letter available that can be sent to clients who have basic questions about patent law, one should be drafted. Similarly, a “frequently asked questions” sheet can be prepared for distribution to clients. Flowcharts showing the patent process can be made, and charts comparing types of patents (e.g., plant patents and utility patents for plants) can be prepared.

An IP paralegal may also be involved in conducting some type of audit of clients to inquire whether they have invented any processes or products that may qualify for patent protection. A questionnaire should be prepared to assess whether clients’ intellectual property is being fully protected. See Chapter 24 for sample questions for an intellectual property audit.

INTERNET RESOURCES

Federal laws relating to patents:	http://www.law.cornell.edu http://www.gpo.gov/fdsys
U.S. Patent and Trademark Office:	http://www.uspto.gov (general information about patents [including the provisions of the new AIA], frequently asked questions, patent searching, forms, and filing fees)
Manual of Patent Examining Procedure:	http://www.uspto.gov/web/offices/pac/mpep/mpep.htm (Chapter 700 contains information on rejections based on lack of novelty, lack of usefulness, lack of nonobviousness, and double patenting)
National Inventors Hall of Fame:	http://www.invent.org (honoring inventors and their inventions)
General information:	http://ipmall.info (Franklin Pierce IP Mall with excellent information and articles and links to other IP sources) http://www.megalaw.com http://www.findlaw.com
Glossary of IP terms:	http://www.uspto.gov/main/glossary
Absurd patents:	http://www.totallyabsurd.com (identifies odd and unusual patents)

DISCUSSION QUESTIONS

1. Classify each of the following as a utility, design, or plant patent.
 - a remote control for a television
 - string for a tennis racket
 - a picture frame with lattice trim

- an early maturing apple tree
 - jewelry with attachable charms
 - a kitchen timer
 - headgear or helmet for football
2. Ben sees a new plant while walking in the mountains. Is the plant patentable? Discuss.
 3. A corporation has released a memo to its 10 most senior vice-presidents, describing the corporation's new invention. Will this publication bar an application for a patent filed more than one year later on the basis that the invention was described in a printed publication under 35 U.S.C. § 102? Discuss.
 4. Sarah invents a type of cartridge for ink for copy machines. The cartridge is identical to previous cartridges invented by others, although it is slightly smaller. Is the invention patentable? Discuss.
 5. Effective March 16, 2013, the United States will move from its current system of granting patents to the "first to invent" the invention to the "first to file" the application for the invention (with a grace period for the inventor's own disclosures). Discuss the advantages and disadvantages of this change.
 6. Discuss whether the following items are likely patentable or what objections the USPTO might raise to a patent application for these items:
 - a printed form for keeping baseball scores
 - a surgical scalpel
 - an idea for defeating identity theft
 - a computer program for defeating identity theft
 - a pharmaceutical composition for treating lung cancer
 - a transgenic pig with altered hormone receptors
 - a pig
 7. On January 1, 2009, Samantha filed a patent application for a utility patent, a design patent, and a plant patent. All patents were granted on January 1, 2012. When will each patent expire?

USING INTERNET RESOURCES

1. Access Section 716.05 of the Manual of Patent Examining Procedure, available through the website of the USPTO. What secondary consideration might show strong evidence of nonobviousness?
2. Access the Glossary available through the website of the USPTO. What is a "terminal disclaimer"?
3. Access the website for the USPTO, locate the following patents, and give a brief description of each: Patent Nos. 7,325,329, D638,633, and PP9,013.



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 18

Patent Searches, Applications, and Post-Issuance Proceedings

CHAPTER OVERVIEW

Before an application for a patent is filed, a search should be conducted to ensure that the invention is novel and nonobvious. If the search results suggest that an invention may be patentable, an application is then prepared. An application consists of two parts: the specification (describing the invention) and the inventor's oath or declaration. Until September 16, 2012, applications must be filed by individual inventors, although the application can be assigned to another at the same time it is filed. After the application is filed at the USPTO, it will be examined for patentability. Application proceedings at the USPTO are confidential until the application is published, generally 18 months after the application filing date. The examiner may issue office actions, requiring amendment of some of the claims of the invention. No new matter can be added to an application. When an application is allowed by an examiner, a notice of allowance is issued, and an "issue fee" must be paid to the USPTO for the patent to be granted. The term of utility and plant patents is 20 years from the date of filing of the application therefor. The term of design patents is 14 years from the date of grant. Maintenance fees must be paid at three intervals during the term of a utility patent to maintain it in force. Once the patent is issued, its owner may exclude others from making, selling, importing, or using the invention for the term of the patent.

PATENT SEARCHING

The Need for a Search

Patentability requires novelty and nonobviousness. The only predictable method of determining whether an invention is new and nonobvious is to conduct a search of the prior art (including patent records and printed publications). The patentability search, sometimes called a **novelty search** or prior art search, will help determine whether the differences in the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious to a person having ordinary skill in the art. Moreover, because 35 U.S.C. § 102 imposes novelty as a condition for patentability, a search will disclose whether novelty bars to protection exist. Finally, if an invention has fallen into the public domain because its patent has expired, anyone can use it and no one can obtain a patent for it. Searching will disclose the existence of such expired patents. Thus, although not required prior to filing a patent application, a search is recommended to determine the feasibility of obtaining a patent. Otherwise, an inventor may incur costs of several thousand dollars in prosecuting a patent application only to have an examiner determine that the invention fails to satisfy the requirements of novelty and nonobviousness. An additional benefit of conducting a search is that it may provide ideas for drafting the application itself.

A novelty search is somewhat limited in scope and is designed to disclose whether an application will be rejected on the basis of lack of novelty or obviousness. A basic novelty search can usually be completed for less than \$2,000, although pricing varies depending on the type and complexity of the invention. If an invention is intended for immediate commercial use or sale, an additional search, called a freedom to operate or infringement search, is often conducted concurrently with the novelty

search. An invention may be patentable as a significant improvement over an existing invention and yet still infringe a patent.

Although the terms “freedom to operate search” and “infringement search” are often used interchangeably, there are differences between the two types of searches, although both focus on whether the client’s invention is blocked by another’s intellectual property rights. A **freedom to operate** search is usually conducted before the invention is brought to market and is intended to ensure that the invention does not infringe any patents. In contrast, an **infringement search** is usually conducted after the inventor has been informed that he or she is violating another’s patent, and it focuses on examination of this specific and known patent (often with the goal of invalidating this patent).

An infringement search or full patentability search is far more extensive than a novelty search and is thus more expensive, often costing between \$3,000 and \$10,000. Conducting a search and obtaining an opinion relating to infringement is important because although there is no affirmative duty to obtain advice of counsel with regard to whether one’s actions might constitute infringement, relying on counsel’s advice is an important factor in determining willfulness. Generally, willful infringement may lead to the imposition of punitive damages in an infringement action (see Chapter 20).

Some inventors conduct their own searches. Others retain patent attorneys to perform the search or to engage the services of a professional search company. Naturally, the scope and breadth of the search depends on a variety of factors, including cost, complexity, and importance of the invention. In many instances, paralegals conduct preliminary searches of the U.S. Patent Trademark Office (USPTO) databases and if this initial review indicates that the invention may be patentable, a more comprehensive search is conducted by professional patent searchers.

Patent Search Resources

There are several separate resources or facilities for patent searching.

USPTO Public Search Facility. The USPTO maintains a Public Search Facility at its Alexandria, Virginia offices. The search room is open to the public and houses all U.S. patents granted since 1790. Searching is usually accomplished by using state-of-the-art computer databases (described later). Trained staff is available to assist searchers. The USPTO also offers a Scientific and Technical Information Center at its offices, which offers more than 120,000 volumes of scientific and technical books as well as numerous journals and foreign patents (although most of the collection now consists of electronic materials).

Patent and Trademark Depository Libraries. Because many inventors do not have the resources to travel to the USPTO's Virginia offices, the USPTO has designated more than 80 libraries throughout the nation as Patent and Trademark Depository Libraries (PTDLs). Nearly every state has a PTDL, and larger states, such as California and New York, have several. About one-half of the PTDLs are academic libraries affiliated with universities, and the other one-half are public libraries. The PTDLs receive copies of patents and offer free public Internet access to all USPTO search tools, indices, and directories. The scope of the print collections varies from library to library. A list of all PTDLs is available on the USPTO website.

USPTO Online Database. The USPTO's online database includes all patents issued since 1790 and applications published since January 2001. The database of more than eight million patents includes information about all U.S. patents, offering the full text of patents granted since 1976, and the patent

number and current U.S. classification for all patents granted from 1790 through 1975. Copies of patents may easily be ordered through the USPTO website or via telephone upon payment of a moderate fee.

USPTO Search Assistance. The USPTO public search facility staff conducts minimal searching for a fee. Specifically, the staff will conduct an inventor search and then provide a list of the patent numbers related to that inventor for \$40 per hour.

Commercial Search Services. Although many paralegals and patent agents and attorneys (and some inventors) are skillful in conducting patent searches using the USPTO databases, most patent attorneys use or recommend the use of a professional commercial patent search company for the most accurate and complete patentability and infringement searches. In many instances, a combination approach is used: The paralegal or patent attorney performs a preliminary search using online databases, and if the results suggest that the invention is patentable, a more comprehensive search is then ordered from a commercial vendor. These vendors have numerous databases at their fingertips and are highly experienced in locating the relevant prior art. Some search companies simply provide access to their vast databases for a fee charged to the inventor or law firm; others perform the search themselves and provide a full written report. Searches can be customized to the inventor's needs; for example, a search may focus solely on foreign patents. Some of the well-known commercial search companies include the following:

Delphion. Originally a product of IBM and now owned by Thomson Reuters (the provider of Westlaw), Delphion (<http://www.delphion.com>) provides a full complement of patent searching options. It is highly popular and allows searching by patent

number, inventor name, and a variety of other fields. It offers monthly subscriptions and a “one-day pass” for private inventors.

Dialog. Dialog provides access to hundreds of databases and more than 15 million patents covering 60 countries. Dialog (<http://www.dialog.com>) offers access to IP firms and practitioners who then perform searches to determine patentability.

Westlaw. Subscribers to Westlaw (<http://www.westlaw.com>) may access its comprehensive database Westlaw Patents for “one-stop shopping” for all information relating to patents, including patent file histories and graphical views of both “patent family trees” to see connections between multiple patents and patent claims to view the evolution of claims in a patent.

LexisNexis. LexisNexis (<http://www.lexisnexis.com/patentservices>) offers a Patent and Trademark Solutions service. You may obtain copies of U.S. and foreign patent documents, file histories from the USPTO, and other documents. Moreover, professional searchers at LexisNexis perform prior art searches and produce a written search report.

MicroPatent. MicroPatent (<http://www.micropat.com>) is yet another Thomson Reuters business. Its PatentWeb provides inventors and law firms electronic access to tens of millions of global patent documents. Searching can be done by keyword, patent number, and various other means.

PatPro, Inc. PatPro (<http://epatpro.com>) is located near the offices of the USPTO. It was founded by former USPTO examiners and it offers document retrieval and full search reports that list references found and discuss those references.

The previously mentioned commercial vendors are just a few of the many companies that

perform patent searches and related services. Links to many professional search companies can be found at the “Patent Searching Academy” offered by Franklin Pierce’s IP Mall at http://www.ipmall.org/web_resources/record_request_pb_12.php. The IP Mall is one of the best-known IP sites on the Internet. It provides a wealth of IP resources, links to other useful IP sites, articles, information, and many other reliable and useful tools.

In addition to using the free USPTO online patent search databases, those interested in performing patent searches may also use Google’s new and free Google Patent Search. All of the patents available through Google come from the USPTO’s database, and one may search by keyword (similar to any Google type search) or by criteria such as inventor’s name, patent number, and filing date. Access the website at <http://www.google.com/patents>.

Patent Search Methods

There are two primary methods that can be used to search for prior art: the keyword search method and the classification search method.

Keyword Searching. The patent record databases (e.g., the USPTO’s database of more than eight million issued patents) allow searching by keyword. This method matches words, phrases, and terms relating to the claimed invention to the words, phrases, and terms in the patents themselves. Patents from January 1976 to the present can be searched by a variety of fields or terms, such as the inventor’s name, the patent’s title, the full description of the invention, and the claims.

Most keyword searches rely on Boolean searching to formulate queries. The **Boolean search** method uses terms and connectors such as *or*, *and*, and *not* to construct searches. For example, a query of “mouthpiece and clarinet” would produce documents in a database only if both of those words were present

in the document. The USPTO's "Quick Search" screens allow searchers to use the Boolean connectors to construct search queries using easy-to-use drop-down menus, so searchers may search patents by inventor name, title of invention, and so forth.

Additionally, the USPTO database affords several elements or "fields" that can be searched, so that a search will retrieve only documents relating to the attorney representing an applicant, a specific patent examiner, issued patent number, and so forth. The display of each patent's full-text includes a hyperlink to obtain full-page images of each page of the patent. Pre-1976 patents can only be searched by the patent number or the USPTO's classification number or code assigned to the invention; however, this limited display also includes a hyperlink to obtain full-page images of each page of the patent.

The USPTO database affords several methods to narrow a search and obtain precise results. For example, searchers may select a date range to obtain patents issued only after a specific date.

Keyword searches are fast and easy; however, the quality of a keyword search is highly dependent on the searcher's ability to anticipate the words an applicant used in an application. For example, a keyword search for a term such as "bird" will produce only patents with that specific word and no patents with the word "avian."

Introduction to Classification Searching.

For more than 100 years, the USPTO has used a classification system, called the **United States Patent Classification**, for its patents. Although the system is primarily designed to be used by patent examiners in the course of examining patent applications, the system is also used by searchers. In fact, most commercial searchers use the classification method of searching. The system categorizes inventions according to the features of the invention. All relevant patents for a given technology are grouped together by class. There are separate classes for design and plant patents.

There are approximately 450 classes of inventions, from class 005 for beds, to class 102 for ammunition and explosives, to class 433 for dentistry. Thus, any inventions relating to beds are found in class 005. Within each class are subclasses, which are smaller, more refined subsets within the main class. Thus, a designation such as 005/110 refers to the main class of beds and the subclass of cots; the designation 005/665 refers to the class of beds and the subclass of waterbeds. The USPTO uses three digits for all classes and three digits for all subclasses. Some inventions may be described by multiple classification numbers or codes. There are approximately 150,000 subclasses. Most classes have about 300 subclasses.

Searchers often begin with the Index to the U.S. Patent Classification, which functions much like the index at the back of this text. It is an alphabetical listing of technical and common terms from abacus (in class 434 for education and demonstration) to zwieback (in class 426 for food and edible material). The Index provides a useful introduction to the classification system.

Classification searches are useful because they retrieve all patents issued since 1790. Moreover, they do not require searchers to "guess" the words used to describe an invention as does the keyword technique. However, the classification system can be daunting for newcomers, who will need to spend some time learning how the system works. Moreover, as new technologies are developed, the USPTO assigns new classes and subclasses, which can make it difficult for new searchers to locate patents in cutting-edge technologies. Additionally, sometimes patents are misclassified. Finally, note that the classification system covers only U.S. patents; foreign patents cannot be obtained through the USPTO database.

Explanations of the U.S. Patent Classification system and suggestions for searching are provided on the USPTO's website at <http://www.uspto.gov/web/patents/classification/help.htm>.

Using the Classification Method to Search Patents. The USPTO's website suggests the following four-step strategy to search for patents using the classification system (all steps may be accomplished online).

1. Begin with the alphabetical listing in the Index to the U.S. Patent Classification (located at <http://www.uspto.gov/web/patents/classification/uscindex/indexoutspc.htm>) to “get your feet wet” and gain a basic understanding of how the system works. Look for common terms describing the invention, its function, and use. Note the class and subclass numbers.
2. Use the U.S. Manual of Classification (located at <http://www.uspto.gov/web/patents/classification>) to access the classes and subclasses you located in the Index. The Manual provides lists of class titles in both numerical and alphabetical order. The titles are descriptive and suggestive of the technology involved and will further help refine the search parameters. The Manual's list of classes and subclasses is helpful in showing interrelationships between classes and subclasses.
3. Review the Classification Definitions (which are comprehensive descriptions of the class, located at <http://www.uspto.gov/web/patents/classification>). These definitions establish the scope of the class and subclass and provide important search notes and suggestions for further research.
4. Click on the “P” icon to automatically search and retrieve patents for that particular classification code. Review the patents retrieved to make sure you are on the right track.

Other Search Methods. As described, patents in the USPTO database (and other databases) can be accessed by a variety of fields. Thus, for patents issued since 1976, searchers can locate all applications filed by a certain inventor or all patents

owned by a certain individual or company. Searchers can also locate any patent by its patent number. Because many inventions and products are marked with their patent numbers and websites and technical and scientific literature will note patent numbers, locating patents by number can be useful in reviewing similar or related prior art. Similarly, a product may be marked with the notice “patent pending.” A searcher can then try to locate information about the invention by searching for its inventor or owner. Most applications are published 18 months after their filing dates; thus, information about these pending applications may be available.

Other websites offer highly specialized patent searching. For example, the U.S. Department of Agriculture offers searching of some patents related solely to the intersection of agriculture and biotechnology at its website at <http://www.ers.usda.gov/Data/AgBiotechIP>.

Limitations on Patent Searches. Although a thorough search by an experienced searcher can provide invaluable information, there is no guaranteed way to predict whether an invention is novel, nonobvious, patentable, or likely to infringe another's patent. There are two primary limitations on patent searches:

- **Innumerable Resources.** Remember that after March 16, 2013, an invention is not novel if it has been patented, described in a patented publication, or in public use, on sale or otherwise available to the public *anywhere in the world* before the filing date of the application (with the grace period previously described). Thus, there are literally millions of sources that might bear upon novelty, including more than eight million issued patents, magazine articles, books, academic papers, websites, and the like. It is not possible for any search to cover all of these resources.

- **Pending Patent Applications.** Patent applications are maintained in secrecy until 18 months after the date the application is filed with the USPTO (and some are kept secret until a patent issues). During this period, it is not possible to obtain any information about the pending application. Thus, it is possible that a review of USPTO records might lead a patent attorney to believe the client's invention is new, nonobvious, and noninfringing, and the attorney would then recommend that the client file a patent application. The USPTO might thereafter publish an existing patent application that would bar the client's application, and there would have been no absolute way to anticipate or predict the existence of such an application.

Patent Opinions

Once the appropriate search has been conducted, the results must be analyzed and communicated to the client. Typically, the results of a professional search company are provided to the law firm, which analyzes all materials and provides a formal legal opinion on patentability of the invention or the likelihood that an invention infringes another invention.

Although patent opinion letters will differ because they will address different issues (e.g., some address patentability, while others address freedom

to operate or infringement), they usually include several common elements:

- The letter generally begins by reiterating the client's request for the opinion.
- Opinion letters include a description of the client's invention so that the client can correct any errors in the law firm's understanding of the invention.
- The letter will fully describe the search methodologies used by the firm, including a description of which databases were reviewed, the types of prior art that were examined, whether foreign publications were analyzed, and so forth.
- The letter will identify any relevant patents. Each patent will be fully analyzed and a conclusion will be given as to whether and how each patent located bears upon patentability, infringement, and so forth.
- A formal conclusion will be given indicating whether, in the law firm's professional opinion, the invention is patentable, whether the client has the freedom to operate and bring the invention to market, or whether the invention infringes any patents. The conclusions provided are not phrased as certainties but rather as probabilities. Thus, it is common to see language such as "It is more likely than not" or "Based upon our review, we believe that" and similar somewhat equivocal language.



AVOIDING THE UNAUTHORIZED PRACTICE OF LAW

Although paralegals are intimately involved in numerous patent-related tasks, they cannot provide legal advice. Thus, avoid giving any advice or opinion to a client regarding patentability, infringement, and so forth. While paralegals play a significant role in conducting searches and may assist in drafting opinion letters, only a licensed attorney can provide legal advice. Thus, an attorney must always sign any opinion letter.

- The letter will end with disclaimers reminding the client that apparently favorable results from a search do not necessarily guarantee that a patent can be obtained, that due to human error and mistakes in filing it is possible that not all relevant patents were disclosed, that the opinion is not a guarantee, and that the opinion is solely for the client's use and not for the use of others (such as bankers or investors).

THE PATENT APPLICATION PROCESS

Overview of the Application Process

The process of preparing, filing, and shepherding a patent application through the USPTO toward issuance is called “prosecution” (just as is the process of obtaining a trademark registration). An application may be filed by the inventor himself or herself or, as is more usual, by a patent attorney. Only 20 percent of all applications are filed by inventors without the assistance of attorneys. After the application is filed with the USPTO, it will be assigned to one of more than 6,700 patent examiners having experience in the area of technology related to the invention who will review the application and conduct a search of patent records to ensure the application complies with the statutory requirements for patents (including novelty, usefulness, and nonobviousness). Generally, there will be some objection made by the examiner, which will be set forth in a document called an office action. The applicant or attorney typically responds to the office action either by telephone or in writing. If the rejections cannot be overcome, the application may be abandoned or the examiner's refusal may be appealed to the Patent Trial and Appeal Board (until September 16, 2012, called the Board of Patent Appeals and Interferences). Alternatively, the examiner will accept the response(s) to the office action(s) and allow the application. A Notice of Allowance

will be sent to the applicant, which specifies an issue fee that must be paid to the USPTO in order for the patent to be granted. Until 2000, all patent applications were maintained in confidence. Since November 2000, however, most patent applications are published 18 months after their filing date (although the applicant can avoid publication by certifying that the invention disclosed in the application has not and will not be the subject of an application filed in another country). Once a patent issues, however, the entire application file (the “file wrapper”) becomes a matter of public record. In 2011, patents were granted for about 46 percent of all applications filed.

It generally takes about three years to prosecute a patent (in fiscal year 2011, the average time was 34 months), and costs and fees can range from \$5,000 to more than \$30,000, with fees generally ranging from \$10,000 to \$15,000. Because of the time and the high costs involved in obtaining a patent, inventors should conduct a cost-benefit analysis to determine whether the invention merits the effort and expense of obtaining a patent. If the invention will have limited application, it may not be worth securing a patent for it. On the other hand, if the invention is likely to be a commercial success, the time and expense involved in obtaining patent protection will be a worthwhile investment.

A flowchart showing the patent prosecution process is available on the USPTO's website (with links to helpful information) at <http://www.uspto.gov/patents/process/index.jsp>.

Patent Practice

While preparing trademark and copyright applications is relatively straightforward, preparing a patent application requires skillful drafting as well as knowledge in the relevant field, whether that is biotechnology, chemistry, mechanical engineering, physics, computers, pharmacology, electrical

engineering, and so forth. Because patent practice is highly technical, law firms that provide patent services to clients generally have a number of attorneys with different skill sets, and the patent department itself may be divided into different groups, such as a mechanical group, a biotech group, and an electrical group. Most **patent attorneys** possess both a law degree and an advanced degree in engineering, physics, chemistry, or the like. Due to the highly skilled nature of patent work, patent attorneys are highly marketable and often command salaries significantly higher than other attorneys. Similarly, other experienced IP professionals are also in high demand.

To represent patent applicants before the USPTO, an attorney must be licensed to practice law in one state and must also be registered to practice with the USPTO. An attorney must pass a registration examination (often called the “patent bar exam”), which requires the attorney to demonstrate he or she possesses the legal, scientific, and technical qualifications to represent patent applications. The examination is a six-hour 100-question multiple-choice test. The examination is computer-based and all questions are drawn from the *Manual of Patent Examining Procedure* and other reference materials. The examination is very difficult, and the pass rate tends to hover around 50 percent.

In addition to the inventor himself or herself and registered patent attorneys, individuals called registered **patent agents** can prosecute patent applications. Patent agents are not attorneys but rather skilled engineers and scientists who take and pass the patent registration examination. All are college graduates or must have the equivalent of such a degree. Although patent agents can engage in patent prosecution, they may not engage in activities that constitute the practice of law, such as representing parties in patent infringement actions or providing legal advice. Many paralegals and law clerks are registered patent agents.

The USPTO website (<https://oedci.uspto.gov/OEDCI/query.jsp>) provides an index to the thousands of attorney and patent agents who are registered to practice before the USPTO. Many cities also have attorney referral services that can recommend patent attorneys or agents. Finally, a local or state bar association may have associations of patent attorneys and agents.

Confidentiality of Application Process and Publication of Patent Applications

For more than 200 years, all patent applications filed with the USPTO were maintained in strict confidence throughout the entire application process. Only when the patent was issued was the file wrapper open to public inspection. Under the American Inventors Protection Act (AIPA) of 1999, however, which took effect in November 2000, the USPTO now publishes utility and plant applications 18 months after their filing unless the applicant requests otherwise upon filing and certifies that the invention has not and will not be the subject of an application filed in a foreign country that requires 18-month publication. 35 U.S.C § 122. Applicants may request earlier publication. A fee of \$300 is charged by the USPTO for publication. If the applicant later decides to apply for a patent in a foreign country that requires 18-month publication, the applicant must provide notice of this foreign filing to the USPTO within 45 days or the application will be regarded as abandoned.

Basic information about the patent is published and the information is accessible through the USPTO’s website.

The intent of the 2000 law was to harmonize U.S. patent procedures with those of other countries, almost all of which publish patent applications after an initial period of confidentiality. Most commercial inventors supported the idea of preissuance

publication because it indicates trends in patents and allows inventors to design their new inventions in ways to avoid infringement. The new act protects inventors from having their published inventions infringed by providing that patentees can obtain reasonable royalties if others make, use, or sell the invention during the period between publication and actual grant of the patent. In any event, once a patent application matures into an issued patent, the entire file wrapper is available for review by the public.

Types of Applications

Although the prosecution of patents is essentially the same for any type of patent application, there are different types of applications. They are as follows:

- **Provisional application.** Effective in 1995, and as a result of the adherence of the United States to the **General Agreement on Tariffs and Trade (GATT)**, it is possible to file a **provisional patent application** with the USPTO. A provisional application is less formal than a full utility patent application. It is intended as a relatively inexpensive and expeditious way of embarking on patent protection. A provisional application need not include any claims, and the filing fee is inexpensive (\$250 for large entities and \$125 for small entities). The applicant must, however, file for a standard utility patent within 12 months of filing the provisional application or the provisional application will be deemed abandoned. A provisional application may be most useful when an inventor is in a race with a competitor and wishes to be the first to file an application. Filing a provisional application allows the inventor to mark the invention with the notice “patent pending.” The 20-year term for a utility patent begins with the filing of the actual utility patent. Thus, filing a provisional application and then filing a corresponding
- nonprovisional application allows an inventor to delay the start of the 20-year period of patent protection for as much as 12 months. Moreover, it provides the inventor a simplified filing with a lower initial investment with one full year to assess the invention’s commercial potential before committing to the higher costs of filing and prosecuting a standard utility patent. Although there are obvious advantages to filing a provisional patent application, there are disadvantages as well, primarily that the application will not be reviewed by an examiner during its 12-month pendency. Thus, the inventor is left without any indication regarding the ultimate protection for his or her invention.
- **Utility application.** An inventor may file a utility application for a new, useful, and nonobvious process, machine, article of manufacture, or composition of matter or some improvement thereof. If a provisional application has previously been filed by an inventor, a **utility application** must be filed within 12 months of the filing date of the provisional application.
- **Design application.** A **design application** seeks protection for new, original, and ornamental designs for articles of manufacture.
- **Plant application.** A **plant application** seeks protection for new and distinctive asexually reproduced plants.
- **Continuing application.** A **continuing application** claims priority from a previously filed application. There are two types of continuing applications: continuation applications and continuation-in-part applications. The **continuation application** is a continuation patent filed when an examiner issues a final office action rejecting some claims in an application, and the inventor wishes to proceed with the allowed claims and then continue to pursue the rejected claims in a separate application. The continuation application must be filed before

the original application is either abandoned or granted. The applicant and the patent examiner continue to discuss the rejected claims while the approved claims go forward toward issuance of a patent. The filing date for the continuation application is the same as the filing date of the original earlier-filed **parent application**. Thus, its effect is that it may shorten the term of existence of the later-issued patent (because the term of a patent is 20 years from the filing date of the original or parent application). On the other hand, by capturing the date of its parent, it may circumvent recent prior art. The other type of continuing application is the **continuation-in-part (CIP)** application, which contains significant matter in common with the original or “parent” application and also adds new matter not disclosed in the earlier parent, usually because an improvement to the invention was developed subsequent to the filing of the parent application. Claims that relate to the later-filed CIP (e.g., the newly added matter) are entitled to the filing date of the CIP rather than the filing date of the original application. Claims that relate to the original application retain the original filing date.

- **Divisional application.** After an application is filed, the examiner may determine that the application covers more than one invention. Because each patent application can cover only one invention, a **divisional application** will be created to carve out a new application for the additional invention. The new divisional application typically retains the filing date of the original or parent application. The USPTO refers to divisional applications as a type of continuing application.
- **PCT application.** A **Patent Cooperation Treaty (PCT)** application allows an applicant to file one application that may be relied upon for later filing in countries that are members of

the Patent Cooperation Treaty, to which more than 140 nations belong, including the United States. **PCT applications** are administered by the World Intellectual Property Organization (WIPO). Individual filings in each foreign country in which patent protection is desired would be an extremely expensive process inasmuch as the inventor might discover there is no market for the invention in some countries and might wish to abandon the process. The PCT application process allows an inventor to file one standardized application and then postpone prosecuting the applications in other member nations for 30 months. The filing date for each foreign country is deemed to be the date identified in the original application. Although often called an “international application,” the application does not automatically result in registration in member nations of the PCT. The application must still be prosecuted separately in each individual nation in which the inventor desires protection. The primary purpose of a PCT application is to allow an inventor to delay prosecution in foreign countries until a determination is made about whether protection is desirable in those countries. PCT applications are discussed in Chapter 21.

Preparing the Application

Except where noted, the following discussion relates to regular utility patent applications rather than to provisional applications or to design, plant, or other patent applications. An application for patent must be in English (or accompanied by an English translation), and it includes the following elements (which are shown later in Exhibit 18–6, an issued patent):

- A **specification** (the part of the application that describes the invention and the manner and process of making and using it) and the **claims** (separate paragraphs that distinctly claim the

subject matter that the applicant regards as the invention)

- A drawing (when necessary for understanding of the invention)
- An oath by the applicant stating the applicant's belief that he or she is the original and first inventor of the invention

A filing fee must also accompany the application. Although these elements are few, their importance cannot be underestimated. Drafting the specification (describing the invention) is difficult and painstaking work. For a complex invention, it may take 40 hours or more. The level of detail and specificity imposed on applicants is a tradeoff: In return for obtaining a 20-year monopoly during which they may exclude others from selling, making, or using their inventions, inventors must fully disclose to the public what the invention is and exactly how it works.

Specification. The **specification** is the part of the application that describes the invention and the manner and process of making it and using it. It must be made in "such full, clear, concise, and exact terms as to enable any person skilled in the art . . . to make and use the same, and shall set forth the best mode contemplated by the inventor or joint inventor of carrying out the invention." 35 U.S.C. § 112.

Section 112 requires that the specification must be so complete as to enable one skilled in the art to make and use the invention. Thus, a general description such as "the invention is a high-speed drill" will be insufficient. In many instances, an application is rejected because of a **nonenabling specification**, meaning the specification is not sufficient to teach or enable another to make or use the invention. Simply put, stating what the invention is is insufficient; the application must describe how the invention works. A specification may incorporate by reference other materials such as pending or issued patents,

publications, and other documents as part of the enabling requirement.

In addition to the enabling requirement, the application must set forth the "best mode" or preferred method contemplated by the inventor for making the invention. When the patent ultimately expires, competitors will then be able to compete with the former patentee on an equal footing because they will know how to make and use the invention.

The specification itself is composed of several distinct elements:

- **Title.** The invention must be given a short and specific title that appears as a heading on the first page of the application. Examples of titles are "Bat for Baseball," "Nail Gun," and "Combined Refrigerator and Microwave Oven with Timed Overload Protection."
- **Cross-references to related applications.** If the application seeks the benefit of the filing date of a prior invention applied for by the same inventor or claims an invention disclosed in an earlier application by the same inventor, the second application must provide a cross-reference to the earlier application and identify it by serial number and filing date. For example, a continuing application must identify its parent application.
- **Background.** The **background** section of the specification should identify the field of the invention and discuss how the present invention differs from the known art. Generally, this section critiques other inventions and demonstrates the need and worth of the invention being applied for.
- **Brief summary of invention.** The summary section provides a short and general statement of the nature, operation, and substance of the invention. It may point out advantages of the invention and how it solves existing problems.
- **Brief description of drawings.** If drawings are included, they should be briefly described. The applicant must include a listing of all figures by

number (e.g., Figure 1-A) with corresponding statements explaining what each figure depicts.

- **Detailed description of the invention.** In this section, the invention must be explained along with the process of making and using the invention in full, clear, concise, and exact terms. This description must be sufficient so that any person of ordinary skill in the pertinent art or science could make and use the invention without extensive experimentation. The best mode contemplated by the inventor of carrying out the invention must also be set forth. Each element of the drawing should be mentioned. This section was previously called “Description of the Preferred Embodiments.”
- **Claims.** A specification must include a least one **claim**. The claims define the scope of the invention. Although the language is precise and each claim is limited to one sentence, the inventor’s goal is to draft the claims in such a way as to achieve the broadest possible scope of protection for the invention and yet comply with the statutory requirement of specificity. The claims are the most significant part of the application. Whether a patent is granted is determined in large measure by the choice of words of the claims. The claims will be compared against the prior art to determine whether the invention is entitled to be patented. If the inventor later alleges another has infringed his or her invention, a court will compare the claims set forth in the patent with the alleged infringer’s invention in determining whether infringement has occurred. Moreover, the filing fee required is determined in part by the number of claims. Claims are often compared to the descriptions of real estate found in deeds that describe the “metes and bounds” of a parcel of property. A patent claim similarly describes the boundaries of the claimed invention. Although there is no statutory form for the claims, the USPTO

practice is to prefer that each claim be the object of a sentence starting with “I (or “we”) claim . . .” or “What is claimed is . . .” Each claim begins with a capital letter and ends with a period, and they should be arranged in order of scope so that the first claim is the least restrictive. Moreover, claims have a set structure of three basic elements. They begin with an introductory phrase, called a *preamble*, that provides a general description of the invention. The preamble is followed by a *transitional phrase* or statement, such as “comprising” or “consisting of,” and the transitional phrase is then followed by the *body* of the claim, which identifies the elements or steps of the invention. Thus, for example, a claim might read as follows: “The invention claimed is a seat belt system comprising a seat belt, a retractor capable of retracting the seat belt, and a controller . . .” There are different types or formats of claims:

- **Independent claims.** *Independent claims* describe the invention in a general and broad manner. They stand by themselves and do not refer to any other claims.
- **Dependent claims.** *Dependent claims* are more narrowly stated and refer back to or incorporate all elements of the more broadly stated independent claims. Dependent claims cannot stand on their own; they must be read with one or more of the previously stated claims. For example, a dependent claim might read as follows: “The exercise device of Claim 1, wherein the apparatus is a circular trampoline.” Thus, each dependent claim is narrower and more specific than any preceding claim. Applicants may also use multiple dependent claims, which are claims that refer back in the alternative to more than one preceding independent or dependent claim (for example, “a machine according to Claims 3 or 4,

further comprising . . .”). Examples of independent and dependent claims can be seen in Exhibit 18–1.

- **Functional claims.** *Functional claims* define the invention by what it does rather than in terms of its structure. These types of claims are also referred to as “means-plus-function” claims or “means claims” and might read as follows: “A means for attaching the gadget described in Claim 1 to the panel described in Claim 2.”
- **Product-by-process claims.** *Product-by-process claims* define a product by its process of preparation or manufacture and are often seen in chemical or pharmaceutical inventions. A product-by-process claim might read as follows: “A synthetic steel material prepared by a process comprising the steps of . . .”
- **Jepson claims.** *Jepson claims* (named for the inventor who used this format) are used for improvements to existing inventions and identify what is new to the invention. They are useful for pointing out to the patent examiner’s attention the specific novelty of an invention and might read as follows: “A locking fuel pump dispenser nozzle having a nozzle connected to a fuel pump, the improvement comprising a locking mechanism . . .”
- **Markush claims.** *Markush claims* (also named after an inventor and sometimes called Markush Groups) are found in inventions relating to chemicals. A Markush claim recites alternatives in a format such as “An acid inhibitor selected from the group consisting of A, B, and C.”

Design patent applications have only one claim—for example, “the ornamental design of a child’s chair, as shown and described.” Plant patents also

have only one claim inasmuch as the entire plant is claimed as the inventive material. (See Exhibit 18–1 for a sample of claims.)

- **Abstract of the disclosure.** Strictly speaking, the abstract is not part of the specification but is rather a concise statement of the invention. The purpose of the abstract is to enable the USPTO and the public to determine quickly the nature of the technical disclosures of the invention. It points out what is new in the art to which the invention pertains. The abstract begins on a separate page and should not be longer than 150 words. The **abstract** should be a single short paragraph. The abstract for U.S. Patent No. 6,929,573 entitled “Bat for Baseball” is as follows:

An improved baseball bat comprises a tubular core of rigid materials having a first section to support a handle and a second section to support a striking portion. The second section of the core has a diameter relatively larger than that of the first section of the core. A covering member of semirigid materials has a handle portion embracing the first section of the core and a striking portion embracing the second section of the core. Whereby, the baseball bat has a light weight, good equilibrium, and high structural strength for a good performance.

An abstract for a plant patent might read, “A hybrid tea rose having two-toned blossoms of pink with a white reverse.”

Drawings, Models, and Specimens. If drawings are needed to understand the invention, they must be included. Nearly all patent applications are accompanied by drawings. The drawings must also be described so that the viewer knows whether the drawing is a cross-section, a side view, and so

WHAT IS CLAIMED IS:

1. An improved baseball bat comprising: a tubular core of rigid materials having a first section to support a handle and a second section to support a striking portion, said second section having a diameter relatively larger than that of said first section; a covering member of semirigid materials having a handle portion embracing said first section of said core and a striking portion embracing said second section of said core; wherein said first section and second section of said core are respectively made and connected by a connecting means; and wherein said connecting means is a ring-like device inserted tightly into one end of said second section of said core.
2. The baseball bat as claimed in claim 1, wherein said core is made of a material selected from a group consisting of composite materials, metals, and plastics.
3. The baseball bat as claimed in claim 2, wherein said core is made of fiber-reinforced plastic materials.
4. The baseball bat as claimed in claim 1, wherein said handle portion of said covering member is made of foam plastic materials and said striking portion of said cover is made of wood materials.
5. The baseball bat as claimed in claim 1, wherein the end of said second section of said core has an inner shoulder to complementedly connect with an outer shoulder formed on said ring-like device.
6. The baseball bat as claimed in claim 1, wherein said second section of said core is taperedly formed.
7. The baseball bat as claimed in claim 1, further comprising a protecting layer made of fiber-reinforced material and wrapping around the surface of said striking portion of said covering member.
8. The baseball bat as claimed in claim 1, further comprising at least one shock-absorbing device respectively and tightly inserted inside said core.
9. The baseball bat as claimed in claim 1, further comprising at least one weight device respectively and tightly inserted inside said core.
10. The baseball bat as claimed in claim 2, wherein the end of said second section of said core has an inner shoulder to complementedly connect with an outer shoulder formed on said ring-like device.
11. The baseball bat as claimed in claim 3, wherein the end of said second section of said core has an inner shoulder to complementedly connect with an outer shoulder formed on said ring-like device.
12. The baseball bat as claimed in claim 4, wherein the end of said second section of said core has an inner shoulder to complementedly connect with an outer shoulder formed on said ring-like device.

EXHIBIT 18–1 Claims for Utility Patent (U.S. Patent No. 6,929,573)

forth. For example, the drawings might be described as follows: “Figure 3 is a right-hand perspective view of the child’s chair. Figure 2 is a front plan view thereof.” The USPTO has stringent requirements relating to the size, symbols, and format of drawings, and usually a graphic artist or patent draftsman is retained to prepare the drawings. Many law firms that practice patent law employ draftspersons on a

full-time basis. Using new computer-assisted design and drawing software, many patent practitioners can prepare their own drawings. Informal drawings (photocopies) may be submitted if they are legible, but the examiner will usually impose a requirement that formal pen-and-ink drawings be submitted. The drawings must show every feature of the invention as specified in the claims.

Applicants were formerly required to submit a working model of the invention, but this requirement was eliminated in the late 1800s (although an examiner does have the authority to require that a working model be submitted). If the invention relates to a composition of matter, the USPTO may require the applicant to furnish specimens or ingredients for the purpose of inspection or experiment.

Oath of Inventor. The applicant must sign an oath or declaration that he or she believes himself or herself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof. The applicant must also identify his or her country of citizenship and provide an address. The applicant must acknowledge that he or she has reviewed and understands the contents of the application and understands the duty to disclose all information known to be relevant to patentability. An oath is made before a notary public, while a declaration is a statement by the applicant acknowledging that willful false statements are punishable by law. Either an oath or a declaration is acceptable.

Effective September 16, 2012, under the AIA, an applicant may submit a “substitute statement” in lieu of an oath or declaration if the inventor is deceased, unable to do so, or unwilling to do so and is under an obligation to assign the invention. Thus, an employer could file the patent application without an oath from the individual inventor if the inventor is under an obligation to assign the invention to the employer and is unwilling to make the oath. An individual who is under an obligation to assign the invention may include the substitute statement in the assignment document and this will be sufficient. These new provisions simplify the application process for employers who own the rights to their employees’ inventions and avoid the problems associated with uncooperative or unavailable inventors.

For more than 200 years, the Patent Act required that the person claiming the patent must be the actual inventor. 35 U.S.C. § 111. The applicant could not be an assignee of the inventor. Thus, a review of the more than eight million applications on file with the USPTO through September 16, 2012, will disclose that in nearly every case, the application has been made by an individual. Applications were not made by General Electric, Ford Motor Company, Microsoft Corporation, or any other corporation or business entity. Although these companies may employ the inventors and may, in fact, own the invention (due to agreement between the parties that the employer will own any invention made by the employee), the application itself must have been signed by the individual inventor. The rationale for this law was that it would help ensure that individual inventors would not have their inventions stolen.

Effective September 16, 2012, under the AIA, a person to whom the inventor has assigned the invention or has an obligation to assign the invention may apply for the patent. This new provision will thus allow employers such as Microsoft to file patent applications when their employees have assigned or are under an obligation to assign their inventions to them, streamlining the application process for large employers who may have lost track of their employees and cannot locate them in order to have them file patent applications. These new provisions of the AIA make it easier for the actual owners of inventions to file applications.

Subject to the above new provisions of the AIA, if an invention has been made by two or more persons jointly, they must file the application jointly. A **joint application** may be made even if the inventors did not physically work together or at the same time, did not each make the same type or amount of contribution, or did not each make a contribution to the subject matter of every claim in the patent. Accurate records should be kept regarding each inventor’s contributions so that if one inventor’s contributions

are refused or dropped from the claims he or she can be removed from the application.

An application can be assigned to another person or company concurrently with the execution of a patent application or at any time thereafter. Concurrent assignments have taken place when companies own the inventions created by their employees. The new provisions of the AIA allowing patent owners such as employers to file patent applications will likely eliminate the practice of concurrent assignments. Nevertheless, all assignments should be recorded with the USPTO to provide public notice of the owner of the patent rights even though recordation is not required to make an assignment valid. Issues relating to joint inventors, patent ownership, and transfer are further discussed in Chapter 19.

If anyone other than the actual inventor or patent owner is filing the application, a power of attorney will be needed to authorize the patent attorney or patent agent to act on the inventor's behalf. The power of attorney may be a separate form or may be included as part of the oath or declaration. The USPTO supplies a form for powers of attorney.

The requirements for preparing and filing design and plant patents are nearly identical to those discussed earlier for utility patents. Plant patent applications, however, require the oath or declaration to confirm that the plant was reproduced asexually. Design and plant patent applications include only one claim.

Filing the Application. After the application has been thoroughly reviewed to ensure it complies with USPTO regulations (such as requirements relating to the size of the paper used and that all pages be numbered and one and one-half or double-spaced, if one files a paper application rather than filing electronically), the application package should be assembled for filing with the USPTO.

Although patent applications may be submitted by mail to the USPTO, the vast majority

of applications are filed electronically, using the USPTO's **electronic filing system** called "EFS-Web," which was implemented in 2000. As of 2011, approximately 93 percent of all patent applications were filed using EFS-Web. The system uses standard Web-based screens and prompts to enable filers to submit PDF documents directly to the USPTO. A key component of EFS-Web is the use of PDF fillable-form documents, which are interactive forms with various field types and formatting options that auto-load information directly into the USPTO systems. Filers may submit documents as either nonregistered or registered users. While anyone may file a patent application electronically with the USPTO, most practitioners and frequent filers become "registered users" by applying for a customer number and digital certificate (which uniquely identifies the user and allows secure access to the user's patent data). When the application (and fee) are submitted electronically, the USPTO issues an electronic receipt and confirmation.

A transmittal form should be prepared (the USPTO provides a fillable form—see Exhibit 18–2), and it informs the USPTO as to what is being filed, identifies the applicant, and indicates if any other documents accompany the application. The applicant typically checks boxes indicating that a specification is included, an oath or declaration is included, and so forth. If the application is being simultaneously assigned at the same time it is filed, a recordation form should be included and the appropriate box should be checked on the application transmittal form. (The recordation form used for patent assignments is nearly identical to that used for trademarks shown in Chapter 5 as Exhibit 5–4.)

Applicants may also submit an Application Data Sheet, a fillable form supplied by the USPTO that contains bibliographic data such as information about the applicant, correspondence information, and information as to whether the applicant is represented by a patent attorney or agent. Use of the

PTO/SB/05 (08-08)
 Approved for use through 01/31/2014, OMB 0651-0032
 U.S. Patent and Trademark Office, U.S. DEPARTMENT OF COMMERCE

Under the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number

UTILITY PATENT APPLICATION TRANSMITTAL <i>(Only for new nonprovisional applications under 37 CFR 1.53(b))</i>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="padding: 2px;">Attorney Docket No.</td><td style="width: 100px;"></td></tr> <tr><td style="padding: 2px;">First Inventor</td><td></td></tr> <tr><td style="padding: 2px;">Title</td><td></td></tr> <tr><td style="padding: 2px;">Express Mail Label No.</td><td></td></tr> </table>	Attorney Docket No.		First Inventor		Title		Express Mail Label No.	
Attorney Docket No.									
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APPLICATION ELEMENTS <i>See MPEP chapter 600 concerning utility patent application contents.</i>	ADDRESS TO: Commissioner for Patents P.O. Box 1450 Alexandria VA 22313-1450																				
1. <input type="checkbox"/> Fee Transmittal Form (e.g., PTO/SB/17) 2. <input type="checkbox"/> Applicant claims small entity status. <i>See 37 CFR 1.27.</i> 3. <input type="checkbox"/> Specification [Total Pages _____] <i>Both the claims and abstract must start on a new page (For information on this preferred arrangement, see MPEP 608.01(a))</i> 4. <input type="checkbox"/> Drawing(s) (35 U.S.C. 113) [Total Sheets _____] 5. <input type="checkbox"/> Oath or Declaration [Total Sheets _____] a. <input type="checkbox"/> Newly executed (original or copy) b. <input type="checkbox"/> A copy from a prior application (37 CFR 1.63(d)) <i>(for continuation/divisional with Box 18 completed)</i> i. <input type="checkbox"/> DELETION OF INVENTOR(S) Signed statement attached deleting inventor(s) name in the prior application, see 37 CFR 1.63(d)(2) and 1.33(b). 6. <input type="checkbox"/> Application Data Sheet. See 37 CFR 1.76 7. <input type="checkbox"/> CD-ROM or CD-R in duplicate, large table or Computer Program (<i>Appendix</i>) <input type="checkbox"/> Landscape Table on CD 8. Nucleotide and/or Amino Acid Sequence Submission <i>(if applicable, items a. – c. are required)</i> a. <input type="checkbox"/> Computer Readable Form (CRF) b. Specification Sequence Listing on: i. <input type="checkbox"/> CD-ROM or CD-R (2 copies); or ii. <input type="checkbox"/> Paper c. <input type="checkbox"/> Statements verifying identity of above copies	ACCOMPANYING APPLICATION PARTS 9. <input type="checkbox"/> Assignment Papers (cover sheet & document(s)) Name of Assignee _____ 10. <input type="checkbox"/> 37 CFR 3.73(b) Statement <input type="checkbox"/> Power of Attorney <i>(when there is an assignee)</i> 11. <input type="checkbox"/> English Translation Document (if applicable) 12. <input type="checkbox"/> Information Disclosure Statement (PTO/SB/08 or PTO-1449) <input type="checkbox"/> Copies of citations attached 13. <input type="checkbox"/> Preliminary Amendment 14. <input type="checkbox"/> Return Receipt Postcard (MPEP 503) <i>(Should be specifically itemized)</i> 15. <input type="checkbox"/> Certified Copy of Priority Document(s) <i>(if foreign priority is claimed)</i> 16. <input type="checkbox"/> Nonpublication Request under 35 U.S.C. 122(b)(2)(B)(i). Applicant must attach form PTO/SB/35 or equivalent. 17. <input type="checkbox"/> Other: _____																				
18. If a CONTINUING APPLICATION, check appropriate box, and supply the requisite information below and in the first sentence of the specification following the title, or in an Application Data Sheet under 37 CFR 1.76: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div> <input type="checkbox"/> Continuation <input type="checkbox"/> Divisional <input type="checkbox"/> Continuation-in-part (CIP) </div> <div>of prior application No.: _____</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div>Prior application information:</div> <div>Examiner: _____</div> <div>Art Unit: _____</div> </div>																					
19. CORRESPONDENCE ADDRESS <div style="display: flex; align-items: center; margin-top: 10px;"> <input type="checkbox"/> The address associated with Customer Number: _____ </div> <div style="display: flex; align-items: center; margin-top: 5px;"> OR <input type="checkbox"/> Correspondence address below </div> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <tr><td colspan="4" style="padding: 2px;">Name</td></tr> <tr><td colspan="4" style="padding: 2px;">Address</td></tr> <tr> <td style="width: 30%; padding: 2px;">City</td> <td style="width: 20%; padding: 2px;">State</td> <td style="width: 20%; padding: 2px;">Zip Code</td> <td style="width: 30%; padding: 2px;"></td> </tr> <tr> <td style="padding: 2px;">Country</td> <td style="padding: 2px;">Telephone</td> <td style="padding: 2px;">Email</td> <td style="padding: 2px;"></td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 5px;"> <tr> <td style="width: 50%; padding: 2px;">Signature</td> <td style="width: 50%; padding: 2px;">Date</td> </tr> <tr> <td style="padding: 2px;">Name (Print/Type)</td> <td style="padding: 2px;">Registration No. (Attorney/Agent)</td> </tr> </table>		Name				Address				City	State	Zip Code		Country	Telephone	Email		Signature	Date	Name (Print/Type)	Registration No. (Attorney/Agent)
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This collection of information is required by 37 CFR 1.53(b). The information is required to obtain or retain a benefit by the public which is to file (and by the USPTO to process) an application. Confidentiality is governed by 35 U.S.C. 122 and 37 CFR 1.11 and 1.14. This collection is estimated to take 12 minutes to complete, including gathering, preparing, and submitting the completed application form to the USPTO. Time will vary depending upon the individual case. Any comments on the amount of time you require to complete this form and/or suggestions for reducing this burden, should be sent to the Chief Information Officer, U.S. Patent and Trademark Office, U.S. Department of Commerce, P.O. Box 1450, Alexandria, VA 22313-1450. DO NOT SEND FEES OR COMPLETED FORMS TO THIS ADDRESS. **SEND TO: Commissioner for Patents, P.O. Box 1450, Alexandria, VA 22313-1450.**
 If you need assistance in completing the form, call 1-800-PTO-9199 and select option 2.

EXHIBIT 18–2 Utility Patent Application Transmittal

Source: http://www.uspto.gov/forms/sb0005_fill.pdf

Application Data Sheet allows the USPTO to input records more accurately by scanning the information and thereby reducing errors in **filing receipts**. The transmittal form and the Application Data Sheet may be filled out on one's computer and then submitted to the USPTO using EFS-Web (alternatively, they may be printed, completed, and then mailed to the USPTO).

To obtain a filing date for an application, all that is needed is the specification (including claims) and drawings, if needed. The oath and fee can be submitted later, although an additional fee will be assessed as a surcharge.

As discussed further in Chapter 21, under the Paris Convention, a U.S. inventor who files a utility patent application in any of the more than 170 Paris member nations has 12 months to file applications in any of the other member nations and yet claim the priority date of the first filing. Filing either a provisional application or a standard utility patent begins the Paris Convention priority year. Thus, paralegals should be careful to docket the filing date of either a provisional or standard patent application to ensure that protection is sought in foreign countries within 12 months, if desired.

Any document sent to the USPTO by facsimile or regular or express mail should include a certificate consisting of a single sentence verifying the date the document was transmitted or placed in the mail/express mail. In the event of a later dispute about filing dates of documents, the certificate of transmission/ mailing will be accepted as proof of transmission/ mailing on the date alleged. If there is no certificate, the filing date of the document will be deemed to be the date the USPTO received it.

Since mid-2003, all patent applications are electronically scanned and loaded into a USPTO system called the **Image File Wrapper** system. This paperless system provides applicants and others the opportunity for unprecedented access to USPTO records.

The USPTO also offers its **Patent Application Information Retrieval (PAIR) System**, which allows patent applicants and their representatives to review the status of their pending patent applications online. There is both a "private" side to PAIR, allowing attorneys, patent agents, and inventors to securely access the USPTO's internal database and track the status of applications, and a "public" side to PAIR, allowing members of the public to access issued patents and published applications. Access to PAIR's private side requires registration by the inventor or his or her representative (to obtain a customer number and digital certificate).

Fees and Small Entity and Micro Entity Status. In order to provide encouragement to individual inventors, small entities or businesses, and not-for-profit organizations, most fees for these applicants are reduced by 50 percent of the standard fees. For businesses, a **small entity** is one with fewer than 500 employees. The AIA established a new category of small applicant, the micro entity, which is entitled to fee reductions of 75 percent, once the USPTO adjusts its fee schedules (probably some time in late 2012). A **micro entity** is an applicant who qualifies as a small entity, has not been named as an inventor on more than four previously filed patent applications, does not have a gross income of more than three times the median household income in the United States (which was approximately \$50,000 for 2010), and has not assigned an application to an entity who had a gross income of more than three times the median household income in the United States. Institutions of higher education are also micro entities, entitled to the 75 percent fee reduction.

To claim the benefit of the reduced fees, the party must make a simple written assertion that it is entitled to small entity or micro entity status. Specific forms are no longer required by the USPTO, and a simple statement that "the applicant

is a small [or micro] entity” is sufficient. The assertion can be prepared and filed at the same time as the application and the reduced fee paid at that time. In fact, the Utility Patent Application Transmittal form (see Exhibit 18–2) allows the applicant to check a box to claim small entity status, and payment of the small entity fee is deemed to be an assertion that the applicant claims such status. The applicant must notify the USPTO if it loses entitlement to small entity status when fees for issuance or maintenance of the patent are due. To further encourage electronic filing using EFS-Web, effective November 15, 2011, under the AIA, the USPTO was authorized to assess a \$400 surcharge for any patent applications not filed electronically. The USPTO reduces the basic filing fee for utility patents to \$95 for small entities that file their applications electronically.

At the time of the writing of this text and under the AIA, the basic filing fee for a utility application is \$380; the fee for a small entity is \$190. Applications are subject to the payment of the basic filing fee and additional fees that include search fees (\$620/\$310) and examination fees (\$250/\$125) that are due at the time of filing, for a total fee of \$1,250/\$625. Additional fees are due if there are more than 3 independent claims (\$250/\$125), more than 20 total claims (\$60/\$30), a multiple dependent claim (\$450/\$225), or if the total number of sheets in the specification and claims exceed a certain amount (\$310/\$155 for each additional 50 sheets exceeding 100 sheets). The filing fees for a design or plant patent application are shown in Exhibit 18–3. The USPTO offers worksheets to help applicants calculate and determine the appropriate fees due.

USPTO fees usually change each fall, so be sure to check the USPTO website to verify various fees. Fees may be paid by check, cashier’s check, money order, credit card, electronic fund transfer, or by **deposit account**, an account established with the USPTO for the convenience of attorneys and

inventors, against which fees are charged. Generally, frequent USPTO filers deposit money into this account, and then charges for filing fees and other services are charged against this account. Replenishments are made as needed. For EFS-Web filers, payment may be made online for certain patent-related documents.

As will be discussed later in this chapter, additional fees are also charged by the USPTO for issuance of a patent and to maintain a utility patent. (See Exhibit 18–3 for a listing of some patent fees.)

Duty of Candor. Patent applicants (and any individual associated therewith) are subject to a **duty of candor** and good faith in their dealings with the USPTO and must therefore disclose to the USPTO any information that is material to the patentability of a claimed invention. Violation of this duty may result in loss of patent rights. The applicant must therefore disclose, in writing, prior art references that bear on the novelty or nonobviousness of the invention, printed publications that describe the invention, any possible use or sale of the invention, related domestic or foreign applications or patents, litigation involving the invention, and any other matter that bears on patentability. The USPTO does not have the capabilities of fully re-searching all patent applications and thus relies on applicants to disclose prior art and other matters material to patentability.

Under USPTO rules, information is material to patentability when it is not cumulative to information of record and (1) it establishes a *prima facie* (literally, “on its face”) case of unpatentability of a claim or (2) it refutes or is inconsistent with a position taken by the applicant. To comply with this duty, applicants file an **Information Disclosure Statement (IDS)** with the USPTO listing and identifying material information, including pending applications (once published), issued patents, and publications. The USPTO provides a fillable form (see Exhibit 18–4)

Description	Fee	Small Entity Fee
Provisional application filing fee	\$250	\$125
Utility application filing fee	\$380	\$190
Utility application search fee	\$620	\$310
Utility application examination fee	\$250	\$125
Utility application total fees due:	\$1,250	\$625
Design application filing fee (including search and examination fees)	\$530	\$265
Plant application filing fee (including search and examination fees)	\$830	\$415
Submission of IDS	\$180	\$180
Issue fee for utility patent	\$1,740	\$870
Issue fee for design patent	\$990	\$495
Issue fee for plant patent	\$1,370	\$685
Publication fee	\$300	\$300
Statutory disclaimer	\$160	\$80
Request for prioritized examination	\$4,800	\$2,400
Request for continued examination	\$930	\$465
Notice of appeal	\$620	\$310
Filing brief in support of appeal	\$620	\$310
Request for oral hearing	\$1,240	\$620

EXHIBIT 18-3 Schedule of Patent Fees (as of 9/26/11)

for such disclosure. The IDS can be filed with the application, within three months of its filing, or before the mailing of a first office action. It may be filed using EFS-Web. If the IDS is not filed during these time limits, it may be filed later, but generally additional fees will be charged and other documents may be required. If a party discovers additional material information during the course of the application process, the new information must be disclosed. In many instances, an application may be withdrawn so the newly disclosed information can be considered in a continuation-in-part application.

Breach of the duty to disclose may result in refusal to issue a patent, invalidity of the patent, and possible sanctions against the patent attorney.

PROSECUTING THE APPLICATION

Examination of the Application

Once the application is filed, it will be assigned to the Office of Initial Patent Examination, which checks to ensure the application is complete and assigns a serial number to the application. The application is then forwarded to a patent examiner who is trained in the field to which the invention pertains. Examiners work in specialized art groups or technology centers. The examiner will review the application, conduct a search in the patent files of the prior art, and determine if the invention is patentable. USPTO examiners rely heavily on the *Manual of Patent Examining Procedure* in examining applications;

Doc code: IDS

Doc description: Information Disclosure Statement (IDS) Filed

PTO/SB/08a (01-10)

Approved for use through 07/31/2012, OMB 0651-0031

U.S. Patent and Trademark Office; U.S. DEPARTMENT OF COMMERCE

Under the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it contains a valid OMB control number.

INFORMATION DISCLOSURE STATEMENT BY APPLICANT (Not for submission under 37 CFR 1.99)	Application Number		
	Filing Date		
	First Named Inventor		
	Art Unit		
	Examiner Name		
	Attorney Docket Number		

U.S.PATENTS						
Examiner Initial*	Cite No	Patent Number	Kind Code ¹	Issue Date	Name of Patentee or Applicant of cited Document	Pages,Columns,Lines where Relevant Passages or Relevant Figures Appear
	1					

If you wish to add additional U.S. Patent citation information please click the Add button.

U.S.PATENT APPLICATION PUBLICATIONS						
Examiner Initial*	Cite No	Publication Number	Kind Code ¹	Publication Date	Name of Patentee or Applicant of cited Document	Pages,Columns,Lines where Relevant Passages or Relevant Figures Appear
	1					

If you wish to add additional U.S. Published Application citation information please click the Add button.

FOREIGN PATENT DOCUMENTS								
Examiner Initial*	Cite No	Foreign Document Number ³	Country Code ²	Kind Code ⁴	Publication Date	Name of Patentee or Applicant of cited Document	Pages,Columns,Lines where Relevant Passages or Relevant Figures Appear	T ⁵
	1							<input type="checkbox"/>

If you wish to add additional Foreign Patent Document citation information please click the Add button

NON-PATENT LITERATURE DOCUMENTS			
Examiner Initials*	Cite No	Include name of the author (in CAPITAL LETTERS), title of the article (when appropriate), title of the item (book, magazine, journal, serial, symposium, catalog, etc), date, pages(s), volume-issue number(s), publisher, city and/or country where published.	T ⁵

EXHIBIT 18-4 Information Disclosure Statement by Applicant (Partial)

(Continues)

Source: http://www.uspto.gov/patents/process/file/efs/guidance/updated_IDS.pdf

INFORMATION DISCLOSURE STATEMENT BY APPLICANT (Not for submission under 37 CFR 1.99)	Application Number		
	Filing Date		
	First Named Inventor		
	Art Unit		
	Examiner Name		
	Attorney Docket Number		

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If you wish to add additional non-patent literature document citation information please click the Add button		
EXAMINER SIGNATURE		
Examiner Signature		Date Considered
*EXAMINER: Initial if reference considered, whether or not citation is in conformance with MPEP 609. Draw line through a citation if not in conformance and not considered. Include copy of this form with next communication to applicant.		
<small> ¹ See Kind Codes of USPTO Patent Documents at www.USPTO.GOV or MPEP 901.04. ² Enter office that issued the document, by the two-letter code (WIPO Standard ST.3). ³ For Japanese patent documents, the indication of the year of the reign of the Emperor must precede the serial number of the patent document. ⁴ Kind of document by the appropriate symbols as indicated on the document under WIPO Standard ST.16 if possible. ⁵ Applicant is to place a check mark here if English language translation is attached. </small>		

EXHIBIT 18-4 (Continued)

it includes excellent information, examples, commentary, and forms. It is available at the USPTO website at <http://www.uspto.gov/web/offices/pac/mpep/mpep.htm>.

If the examiner finds defects in the application or rejects some of the claims, he or she will issue an office action (similar to the office action issued by trademark examiners in rejecting trademark applications). If the examiner determines there are no bars to patentability, a notice of allowance will be issued for the application. Relatively few applications are allowed as filed. It generally takes about 28 months for the USPTO to issue a first office action.

It is far more likely that at least one office action will be issued, often indicating that based on the prior art, the subject matter claimed is either not novel or is obvious or that not enough information

is disclosed in the application to enable another to practice what is claimed. An examiner may also require the applicant to submit additional information, such as copies of technical information relied on by the applicant.

Applicants can now elect to be notified by e-mail that an office action has been issued (rather than waiting to receive the communication in the mail). The new system, called e-Office Action, will inform users that a new communication is available for viewing and downloading in private PAIR.

The maximum time limit to respond to an office action is six months. Typically, however, the examiner demands that a response be filed within one, two, or three months, depending upon the type of reply required. The applicant may then obtain extensions upon filing a petition asking for an extension

and payment of a fee. If a written response to an office action is not timely filed, the application will be deemed abandoned (unless the delay is shown to have been unavoidable or unintentional). If the final day for a response falls on a nonbusiness day or holiday, the applicant has until the next business day to file the response. EFS-Web filers, of course, may submit documents during weekends and holidays. The applicant may also request either a telephonic or in-person interview with the examiner to discuss the office action. An applicant requesting an interview should complete the USPTO's form for an interview request, so that the examining attorney will know what issues will be discussed during the interview.

An applicant's response to an office action may include amendments to claims, drawings, or portions of the specification. Although amendments may be added to make explicit a disclosure that was implicit in the application as originally filed, amendments adding "new matter" are normally not allowed. Thus, claims may be amended and even added as long as they are supported by the original specification in the application. If the applicant believes the examiner's rejection of some claims to be sound, those claims may be canceled and the applicant may proceed on the remainder. Alternatively, the applicant may submit argument attempting to demonstrate patentability (sometimes called a **traverse**, especially when the examiner requires the applicant to restrict the patent application to one invention) and, to show nonobviousness, may submit evidence of secondary considerations, such as evidence of commercial success of the invention or its long-felt need.

After reply by the applicant, the application will be reconsidered, and the applicant will be notified as to the status of the claims, that is, whether the claims are rejected or allowed, in the same manner as after the first examination. If the application is now acceptable, a notice of allowance will be issued and the application will proceed to grant. If the application is not acceptable, the examiner will issue a second

office action, which is usually made final and is referred to as a **final action**.

An applicant may appeal a final action (or may initiate an appeal when his or her claims have been rejected twice) to the Board of Patent Appeals and Interferences in the USPTO. The Board of Patent Appeals and Interferences will be renamed the **Patent Trial and Appeal Board** effective September 16, 2012. An appeal fee (\$620/\$310) is required, and the applicant must file a brief to support his or her position, necessitating another fee of \$620/\$310. An oral hearing will be held, if requested, upon payment of a specified fee (\$1,240/\$620). If the board affirms the examiner's decision, the applicant may file a civil action in the U.S. District Court for the Eastern District of Virginia or may file an appeal with the Court of Appeals for the Federal Circuit (CAFC), located in Washington, DC. Many experts believe the Federal Circuit defers too readily to the board; in 2010, the CAFC affirmed approximately 80 percent of all cases it received from the USPTO. The Federal Circuit can set aside USPTO findings only when the findings are arbitrary, capricious, an abuse of discretion, or unsupported by substantial evidence. *Dickinson v. Zurko*, 527 U.S. 150 (1999). Decisions by the CAFC may be appealed to the U.S. Supreme Court; however, the Supreme Court has the discretionary power to deny certiorari and may refuse to hear the case. In its 2010 term, the Supreme Court heard only three patent-related cases.

Accelerating the Examination Process

Although the USPTO ordinarily examines patent applications in the order in which they are received, applicants have a few alternatives they may pursue if they wish accelerated examination of their applications:

- **Accelerated Examination Program.** Since 2006, patent applicants may file a **petition to make special** and request accelerated

examination. Applicants must file their applications via EFS-Web. The application must contain three or fewer independent and 20 or fewer total claims. The applicant must acknowledge that a pre-examination search was conducted and must provide an accelerated examination support document that includes an information disclosure statement (which fully discloses prior art related to the invention). In brief, the additional information given by the applicant helps the examiner more quickly make a determination of patentability. A fee is required (unless the applicant states that the invention is directed to environmental quality, development or conservation of energy resources, or countering terrorism). The goal is to complete examination of the application within 12 months. Additionally, an expedited procedure is available for applications for design patents in view of their sometimes short economic life.

- **Green Technology Patent Applications.** The USPTO expedites certain patent applications in the field of “green technologies,” such as energy conservation, greenhouse gas reduction, and development of renewable energy so that these applications are examined on an accelerated basis if the proper petition to make special is filed. This program will expire in 2012 because provisions in the new AIA allow for prioritized examination (see following discussion).
- **Petitions to Make Special Based on Health or Age.** Applications may be accorded accelerated examination status based on the applicant’s health status or age. The applicant must file a petition to make special stating that his health is such that he might not be available to assist in the prosecution of the application if it were to run its normal course or stating that he is 65 years of age or older. No fee is required for this accelerated review.

- **Prioritized Three-Track Examination Program.** In 2011, the USPTO proposed a new program aimed at allowing applicants greater control over when their applications are examined. The program contemplates three specific “tracks.” Track I would allow patent applicants to request prioritized examination upon payment of a significant fee (in addition to standard filing fees) with the goal of providing a final disposition of a patent application within 12 months. This prioritized examination program would not require applicants to submit preexamination searches of prior art. Track II would involve standard fees, and applications would proceed under current examination procedures, and Track III would allow applicants to delay examination of their applications for up to 30 months.

Although the USPTO initially delayed implementing Track I because it lacked funds, the AIA included a provision allowing the USPTO to charge a fee of \$4,800/\$2,400 for requesting prioritized examination. Thus, effective September 26, 2011, the Track I prioritized examination program began for utility and plant patent applications with no more than four independent claims or more than 30 total claims. The process does not require the applicant to submit an accelerated examination support document. Requests for prioritized examination are limited to 10,000 each year. The USPTO anticipates that these applications will reach final disposition within 12 months. Thus, at present the USPTO has implemented Tracks I and II.

The USPTO may eventually reconsider its earlier Track III (delayed examination) proposal.

Restriction Requirements and Divisional Applications

If an inventor claims two or more independent and distinct inventions in one application, the examiner will issue a **restriction requirement**, requiring the

applicant to restrict or limit the application to one invention. The other invention may be pursued in a divisional application for which a separate application fee must be paid. Independent inventions are those that are unconnected in their design, operation, or function. For example, combining a catheter with a locomotive bearing, two articles that are not capable of being used together, would result in a restriction requirement. An applicant may argue against the examiner's requirement that an application be restricted to one invention.

If the applicant agrees with the examiner that the application includes two independent and distinct inventions and agrees to restrict the application to one invention, the second invention is usually protected or covered by the creation of a divisional application, a separate and distinct application for which a fee is required. The divisional application retains the filing date of its **parent application**. It is possible that creation of the divisional application may require changes in inventors inasmuch as the claims in the newly created divisional application may be the product of different inventors from those claims set forth in the original parent application.

Continuing Applications

If the examiner continues to refuse some claims in an application while accepting others, the applicant may wish to divide the application and allow the approved claims to proceed to issuance while continuing to do battle with the examiner on the rejected claims. Such a "continuation application" requires a separate filing fee.

Because patents cannot be enforced until they are issued, and the period of protection runs for 20 years from the date of application, an applicant should consider the strategy of moving forward with whatever he or she can to obtain patent protection as soon as possible. Filing a continuation application affords the applicant the opportunity to continue

argument on the disputed claims while allowing the permitted claims to proceed to issuance. Moreover, because the continuation application retains the same date as the earlier "parent" application, the continuation application may be able to circumvent prior art that came into being after the original filing date and that would bar an entirely new application. A continuation application contains no new material.

If an applicant wishes to proceed on allowed claims and pursue rejected *and* additional matter that differs from that in the parent application, the applicant will file a "continuation-in-part" application. Because the continuation-in-part application includes additional information not in the original application (often, new improvements recently discovered), it requires a new fee, and oath or declaration. A continuation-in-part application may have one of two filing dates: If its claims are supported by the disclosure of the parent application, it will retain the parent application's filing date; if, however, its claims are not fully supported by the parent application, its filing date will be the date it was filed and not the earlier filing date of the parent application.

The distinction between a continuation application and a continuation-in-part application is that the former contains no new information while the latter includes new matter.

As an alternative to filing a continuation application, the **American Inventors Protection Act (AIPA)** of 1999 allows patent applicants to request continued examination of a utility or plant application for a fee without requiring the applicant to file a continuing application. This process, called **Request for Continued Examination (RCE)**, may be used even if the application is subject to a final rejection, appeal, or notice of allowance. The fee is \$930/\$465.

Unlike the forms of continuation applications, an RCE is not a new application but rather a request

that the USPTO make another full examination of the same application. In effect, the USPTO's final rejection is withdrawn and the patent claims are examined as if presented for the first time. Thus, new fees are required, and the applicant must submit information in support of patentability. RCEs are limited to applications for utility and plant applications, although a somewhat similar process (the continued prosecution application) exists for applications for design patents.

Double Patenting

Another basis for refusal to issue a patent is double patenting. An applicant may not obtain two patents for the same invention. The doctrine prohibiting double patenting is an attempt to ensure that inventors do not apply piecemeal for patents in an effort to extend the term during which they may preclude others from making, selling, using, or importing the invention.

A rejection based on double patenting may arise because of an applicant's related application or already issued patent for the same subject matter or subject matter that is an obvious variation of that in the application.

If the subject matter is identical, the applicant must cancel one set of claims. If the examiner states that the subject matter is not identical but is rather an obvious variation of that in another application or issued patent, and the examiner cannot be persuaded otherwise, the applicant may enter a *terminal disclaimer*, agreeing that the term of the second patent will not extend beyond the term of the first. Both patents will simultaneously terminate. A terminal disclaimer will remedy a refusal based on double patenting only if the refusal alleges that the second invention is an obvious variation of another. A refusal alleging that two identical inventions have been applied for or patented cannot be remedied by a terminal disclaimer. The duplicate or conflicting

claims in the second application must be canceled, and if a patent has issued, it is invalid.

Protests

During prosecution, a member of the public may file a written protest against a pending application. Protests are filed to provide the USPTO with information that shows that the granting of a patent would be improper. The timing for protests is fairly restricted. They must be submitted prior to publication of the application or before the mailing of a notice of allowance, whichever occurs first. Protests are quite rare because the protestor must identify the patent application being protested by its application number; yet until the application is published, the application is confidential and one will not know the application number. Once the application is published and its number known, however, it is too late to file a protest.

Once the protest is filed, the protestor has no further participation in the application procedure. Active involvement by the protestor ends with filing the protest. The patent examiner will consider any evidence submitted (e.g., prior art) on the same basis as any other evidence bearing on patentability. The applicant may submit comments and argument to the examiner to support patentability. If the examiner decides to allow the patent, the protestor cannot appeal, and there is no right to argue the protest before the USPTO.

Interference Practice (available until March 16, 2013)

In the course of examination of an application filed under the first to invent system in place until March 16, 2013, an examiner may discover that another party's pending application or issued patent conflicts with the application in that the subject matter claimed in the application under examination

is substantially the same as that claimed in a prior application or existing patent. In such cases, an **interference** will be declared or initiated by the USPTO, and a determination will be made regarding which invention has priority by the Board of Patent Appeals and Interferences. An applicant may also suggest an interference. Only about 1 percent of applications filed with the USPTO become involved in an interference proceeding. In many of those cases, interferences are declared because, due to the initial confidentiality of USPTO application proceedings, applicants may not know of other conflicting inventions at the time they file their applications. Interferences are complex and lengthy proceedings.

Generally, under the first to invent system, the inventor who proves to be the first to conceive the invention (the one who had the idea for the invention) *and* the first to reduce it to practice either by filing the application (constructive reduction to practice) or by making and testing an embodiment of the invention (actual reduction to practice) will be held to be the first inventor. If an inventor is the first to conceive of the invention but the second to reduce it to practice, he or she may still prevail upon a showing that reasonably diligent efforts were made to reduce the invention to practice. Additionally, the first to invent may lose priority if he or she has abandoned, suppressed, or concealed the invention.

After holding a hearing and receiving testimony, the board will issue a decision. If the applicant is determined to have priority, the application will be returned to the examiner and prosecution will be resumed. Appeal may be made to the CAFC. A dissatisfied party also has the option of initiating a civil action in the U.S. District Court for the Eastern District of Virginia (where the USPTO is located) to determine the matter. Alternatively, during the course of any interference proceeding, the parties may reach a private settlement that will be binding on the USPTO if they file their agreement resolving the matter with the USPTO.

Derivation Proceedings under the AIA

Once the United States moves from a first to invent to a first to file system effective March 16, 2013, there will be no need to have complex and costly interference proceedings to determine which of two inventors has priority because the filing date of the application will control. Thus, interferences will be phased out. Nevertheless, a new administrative proceeding, a **derivation proceeding**, is created under the AIA to ensure that the first person to file the application is actually the true inventor. Thus, the “true inventor” or second applicant may file a petition to initiate a derivation proceeding alleging that an inventor named in an earlier application derived the claimed invention from this second applicant and, without authorization, filed the earlier application. The petition for the derivation proceeding must be made within one year after first publication of a claim that is the same or substantially the same as a claim in the first-filed application. The derivation proceeding will be handled by the Patent Trial and Appeal Board. The parties to a derivation proceeding may settle their dispute privately or select to arbitrate the matter. If they settle the matter, their settlement agreement must be filed with the USPTO, although either party may request that it be kept “business confidential,” in which case it will only be disclosed to government agencies or to other parties on a showing of good cause. A party who is dissatisfied with the Patent Trial and Appeal Board’s decision may appeal to the Court of Appeals for the Federal Circuit.

Submissions by Third Parties

Effective September 16, 2012, third parties will have a meaningful opportunity to submit any printed publication of potential relevance to a pending patent

application. They must include a concise statement of the relevance of the information. Submissions must be made within a specific time period, namely, before the earlier of issuance of a notice of allowance or the later of either six months after the application is published or the issuance of the first rejection of any claim by the examiner.

Notice of Allowance and Issuance of Patent

If the USPTO allows the claims and determines that the applicant is entitled to a patent, a notice of allowance will be sent to the applicant. The notice of allowance will specify a sum for an **issue fee**, which must be paid for the patent to be granted. The sum specified in the notice of allowance will also include the publication fee (\$300), both of which must be paid within three months to avoid abandonment of the application (unless late payment is unavoidable or unintentional). You will recall that effective November 2000, all utility patent applications are published 18 months after filing (unless the applicant requests nonpublication and alleges there will be no equivalent foreign filing). At present, the issue fee for a utility patent is \$1,740 (\$870 for a small entity), \$990/\$495 for a design patent, and \$1,370/\$685 for a plant patent. After the issue fee is paid, the patent will be granted and a patent number and issue date will be given to the application. The applicant, now the **patentee**, may enforce its rights to exclude others from making, selling, using, or importing the invention. Furthermore, once a patent is issued, there is a statutory presumption of its validity. 35 U.S.C. § 282. On the date of the grant by the USPTO, the entire patent file becomes open to the public.

It now takes an average of 34 months for a patent to be issued, compared with 3 months for registration of a copyright (filed electronically) and approximately 11 months to secure trademark registration.

(See Exhibit 18–5 for a flowchart illustrating the patent prosecution process.)

Portions of the issued patent will be published in the **Official Gazette**, the weekly publication of the USPTO, which was originally published in paper form and has been published exclusively electronically since 2002 (for patents). While the purpose of publishing trademarks in the *Official Gazette* is to provide notice so those who may be damaged by registration of a mark may oppose registration, publication of patents in the *Official Gazette* is done merely to provide information about patents, including patents that may be available for sale or license. The *Official Gazette* will include a claim and a selected figure of the drawings of each patent granted on that date, a list of expired patents, a list of patents available for license or sale, and other general information such as changes in patent rules.

Utility patents are assigned numbers such as 7,966,904. Design patents are assigned a number as well as the letter “D,” such as D339,456. Plant patents are assigned a number and the letters “PP,” as in PP11,244.

(See Exhibit 18–6 for a sample of an issued patent.)

Notice of Patent

During the time that the application for the patent is pending, an inventor may mark the invention with the term *patent pending* or *patent applied for*. These notices have no legal effect, although they do provide notice that a patent application has been filed with the USPTO. Use of these terms or any other implying that an application for a patent has been made, when it has not, is a violation of statute and is punishable by fine (if done for the purpose of deceiving the public). 35 U.S.C. § 292.

Once a patent has been issued, its owner may give notice that an article or invention is patented by using the word *patent* or its abbreviation *pat.*,

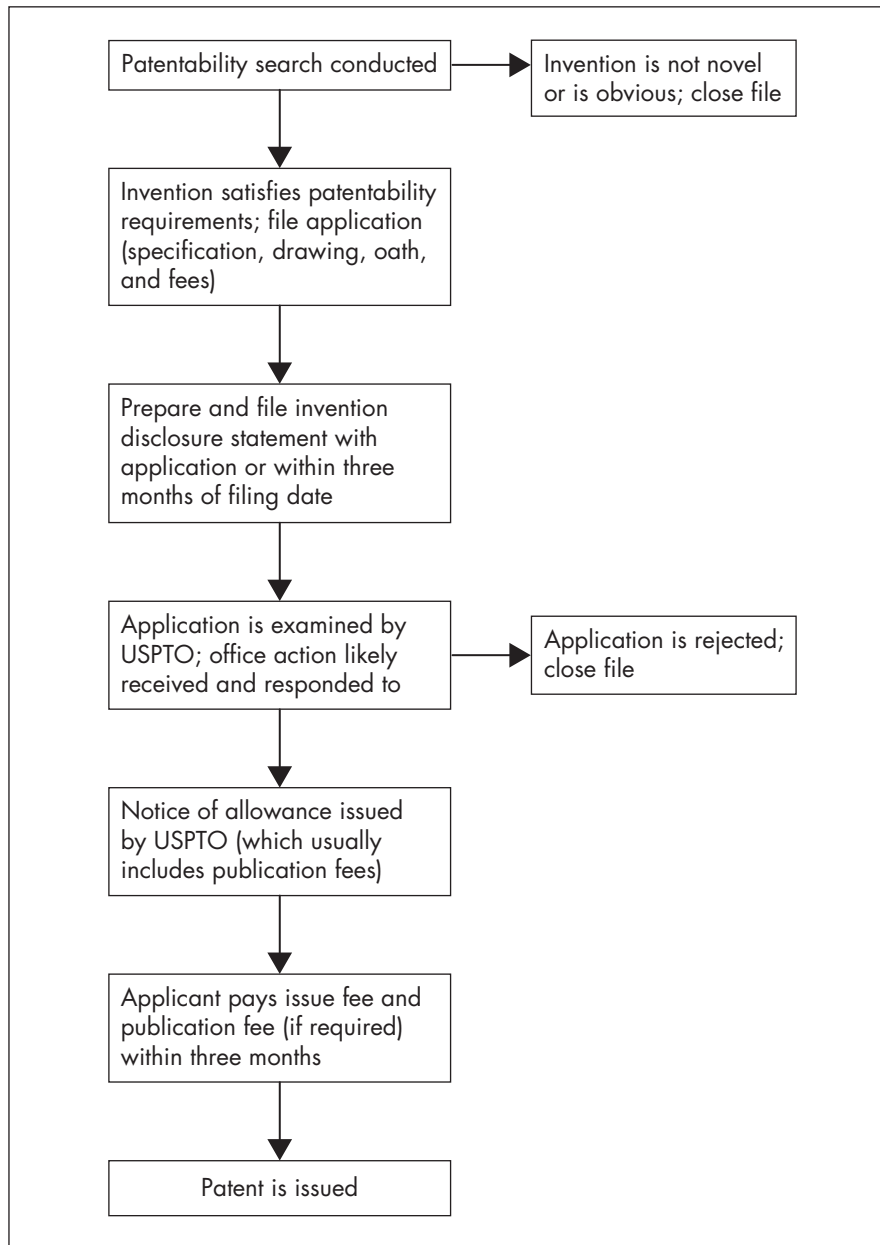


EXHIBIT 18-5 Patent Prosecution Flowchart

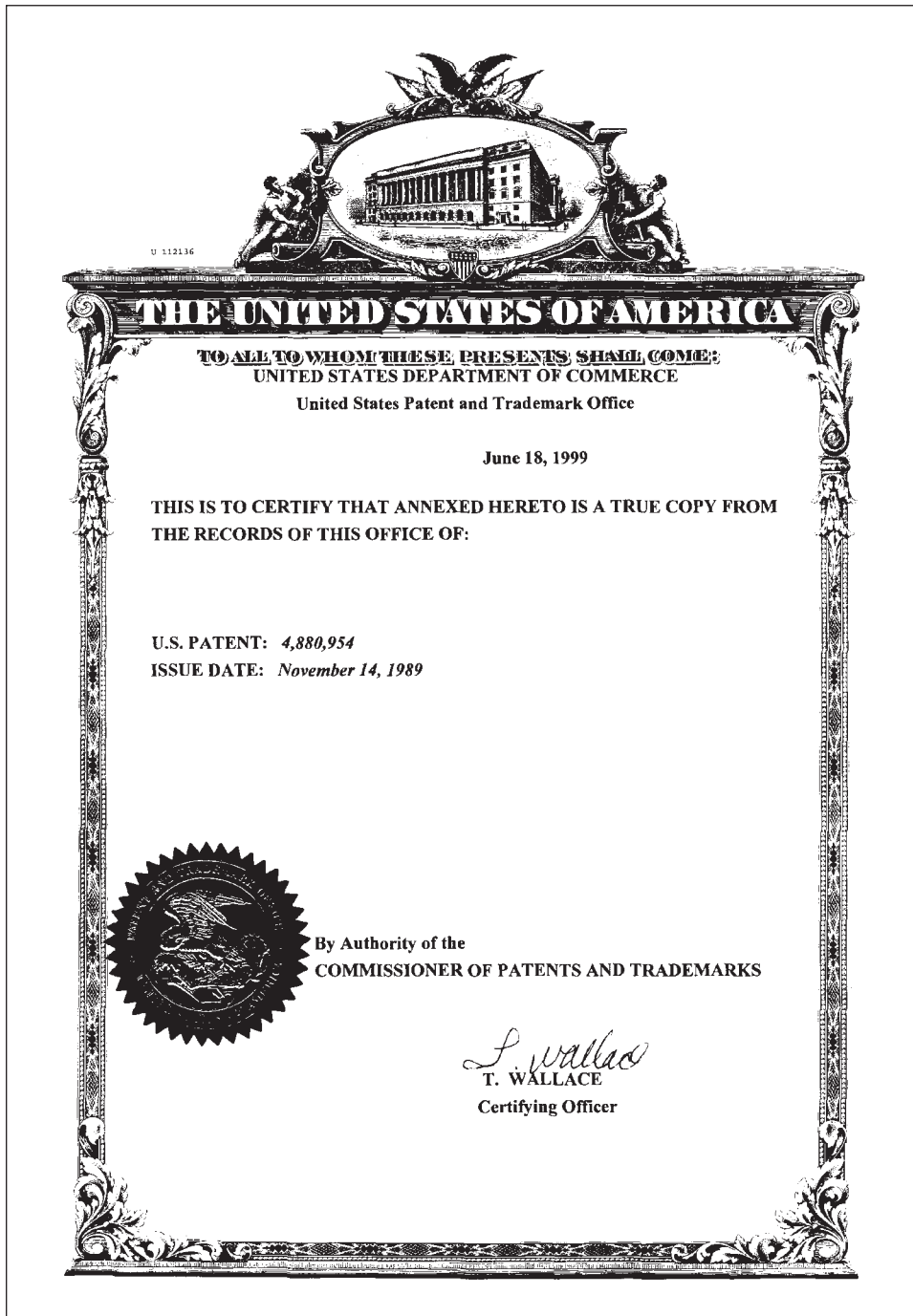


EXHIBIT 18-6 Issued Patent

(Continues)

United States Patent [19]

Bennett et al.

[11] Patent Number: 4,880,954

[45] Date of Patent: Nov. 14, 1989

[54] COMBINED REFRIGERATOR AND
MICROWAVE OVEN WITH TIMED
OVERLOAD PROTECTION

[76] Inventors: Robert P. Bennett, 49 Francis
Wyman Rd., Burlington, Mass.
01803; Kunimitsu Ozaki, 721 Mikan
Dr., Richmond, Ind. 47374

4,045,640	8/1977	McQueen, Jr. et al.	219/10.55 B
4,068,781	1/1978	Toth	219/485
4,129,769	12/1978	Takagi et al.	219/10.55 B
4,225,204	9/1980	Bellavoine	219/386
4,227,062	10/1980	Payne et al.	219/10.55 B
4,398,651	8/1983	Kumpfer	219/10.55 B
4,592,485	6/1986	Anderson et al.	221/150 HC

Primary Examiner—Philip H. Leung
Attorney, Agent, or Firm—Morris Fidelman; Franklin D.
Wolffe

[21] Appl. No.: 201,903

[22] Filed: Jun. 3, 1988

[51] Int. Cl.⁴ H05B 6/68

[52] U.S. Cl. 219/10.55 M; 219/10.55 B;
219/10.55 R; 221/150 HC; 307/41; 307/30;
361/22

[58] Field of Search 219/10.55 B, 10.55 R,
219/10.55 E, 10.55 C, 10.55 M, 10.55 D, 485,
486; 307/38, 41, 35, 30; 221/150 HC; 361/22,
31, 195

[56] References Cited

U.S. PATENT DOCUMENTS

T973,013	8/1978	Ferrara et al.	219/10.55 E X
3,482,509	12/1969	Gardner	219/10.55 R
4,004,712	1/1977	Pond	219/10.55 B

[57] ABSTRACT

A microwave oven and a refrigerator are combined in a single cabinet and share line power supplied to the cabinet. Door interlocks and a manually settable time are provided for disconnecting electrical supply to the compressor of the refrigerator during operation of the magnetron of the microwave oven. The circuitry provided ensures that electrical supply is reconnected to the compressor upon expiration of the timer setting, even if the door of the oven is incidentally left open after use.

3 Claims, 2 Drawing Sheets

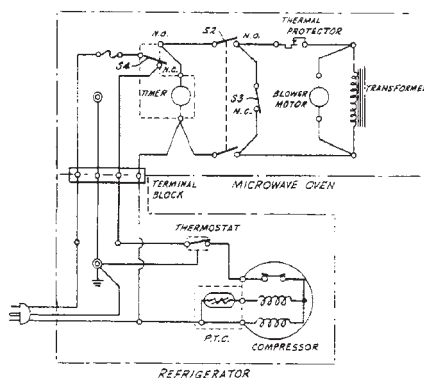


EXHIBIT 18-6 (Continued)

U.S. Patent

Nov. 14, 1989

Sheet 1 of 2

4,880,954

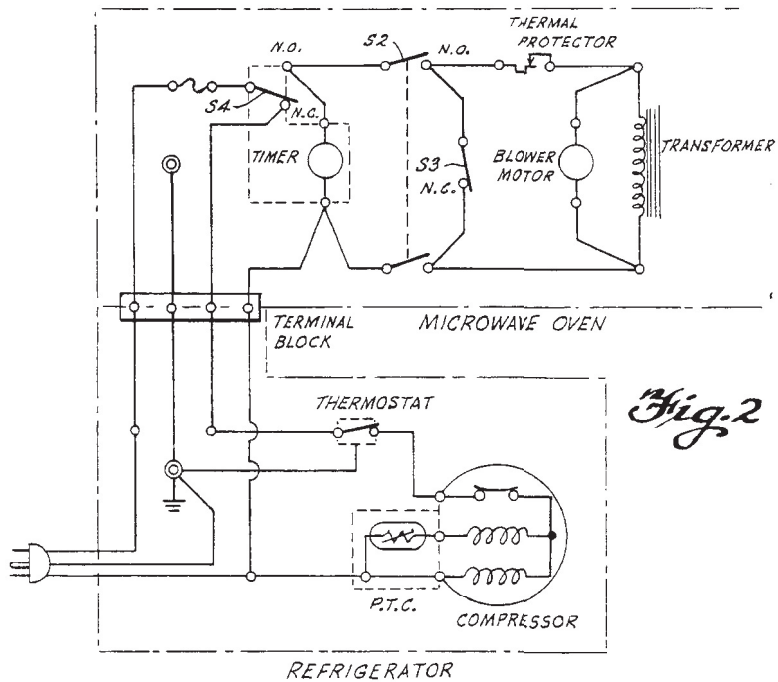
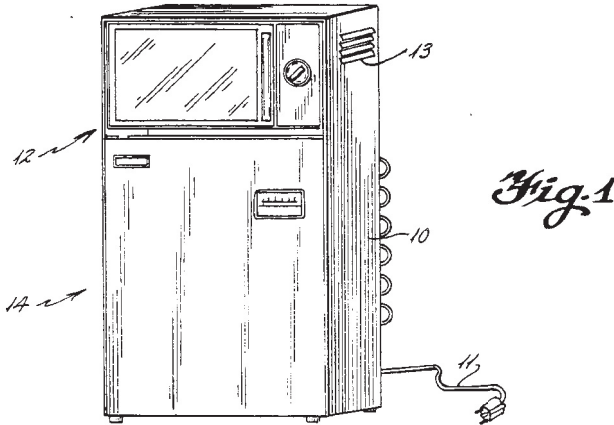


EXHIBIT 18-6 (Continued)

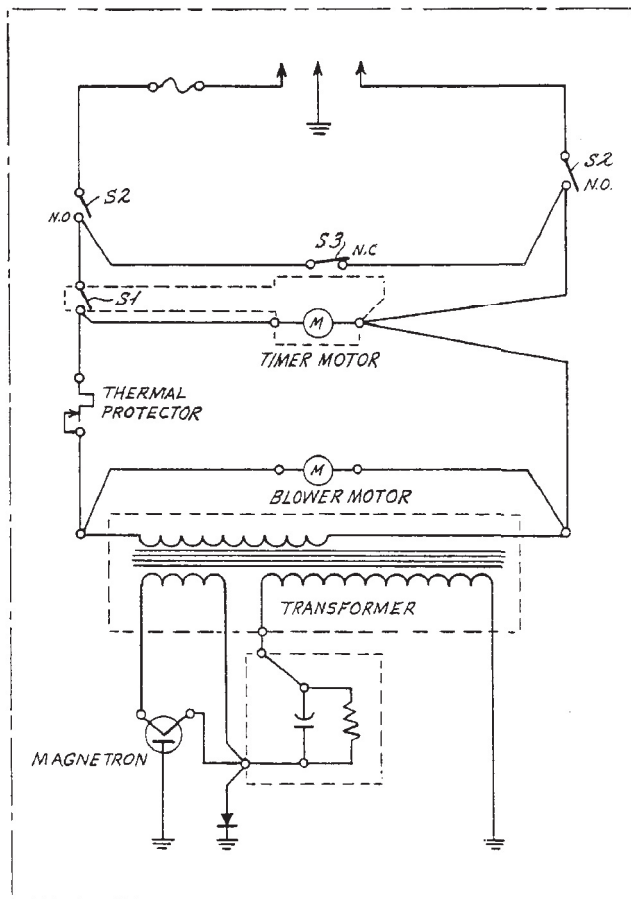
U.S. Patent

Nov. 14, 1989

Sheet 2 of 2

4,880,954

Fig. 3



PRIOR ART

EXHIBIT 18-6 (Continued)

4,880,954

1

COMBINED REFRIGERATOR AND MICROWAVE OVEN WITH TIMED OVERLOAD PROTECTION**PRIOR ART CROSS REFERENCES**

U.S. Pat. No. 3,482,509 Gardner, SANDWICH COOKING AND DISPENSING MACHINE, issued Dec. 9, 1969.

U.S. Pat. No. 4,225,204—Bellavoine, CUPBOARD FOR STORING PREPARED MEALS, WITH COLD-STORAGE AND REHEATING BY MICROWAVES, issued Sept. 30, 1980.

U.S. Pat. 4,398,651 Kumpfer, MICROWAVE FOOD DISPENSING MACHINE, issued Aug. 16, 1983.

U.S. Pat. No. 4,592,485—Anderson, et al, MEAL VENDING APPARATUS, issued June 3, 1986.

U.S. application Ser. No. 097,680—Bennett, REFRIGERATOR AND MICROWAVE OVEN AND OVERDEMAND INTERRUPT CIRCUIT, filed Sept. 17, 1987.

BACKGROUND OF THE INVENTION

This invention relates to a refrigerator and microwave oven enclosed in the same cabinet with unique electrical circuitry, so as to provide the convenience of storing and cooking food simultaneously in the same unit, while avoiding the peak power demands of simultaneous operation of the refrigerator compressor and the microwave magnetron. The invention finds particular application in buildings having older wiring and fewer circuits, by minimizing the possibilities of overloading such circuits while providing safe uninterrupted service. It also prevents overloading a more modern circuit which is "dedicated" to the apparatus by preventing start-up of the compressor during operation of the magnetron.

Microwave ovens are now commonly available in quick stop grocery stores and lunch rooms for heating and cooking foodstuffs purchased across the counter and from vending machines. Prior to the above-referenced Bennett application though, it had not been proposed to combine a microwave oven and refrigerator on a smaller scale in the same cabinet, particularly with provision for limiting the peak instantaneous power consumption so as to make the combination useful and attractive for use by students in dorm rooms, resort hotel rooms, tractor trailer cabs, recreational vehicles, so-called pullman efficiencies and the like.

The remaining prior art teaches refrigerated storage and a microwave oven combined in the same vending machine cabinet, and provision for transporting a selected item to the microwave oven for heating and subsequent removal from the machine. In particular, U.S. Pat. No. 4,398,651 discloses a switch, associated with a stack of food containers and actuated upon insertion of the uppermost container from the stack into a microwave oven, which causes a motor to drive a screw which, in turn, raises the stack until the next uppermost container changes the state of the switch. The amount of time that it takes for the switch to be changed by the raising stack determines the time of de-energization of a relay 56 which, in turn, determines how long the refrigerator is off and the microwave oven is on.

It is among the objects of the instant invention to combine prior art appliances into a single more convenient apparatus by utilizing a single molded, insulated shell containing both a microwave oven and a refrigerator,

2

while at the same time providing adequate ventilation of both and limiting instantaneous peak power consumption by the combination.

SUMMARY OF THE INVENTION

A microwave oven and a refrigerator are combined in a single cabinet and share line power supplied to the cabinet. Door interlocks and a manually settable time are provided for disconnecting electrical supply to the compressor of the refrigerator during operation of the magnetron of the microwave oven. The circuitry provided ensures that electrical supply is reconnected to the compressor upon expiration of the timer setting, even if the door of the oven is incidentally left open after use.

BRIEF DESCRIPTION OF THE DRAWINGS

FIG. 1 is an isometric view of a microwave oven and refrigerator sharing a common housing.

FIG. 2 is a schematic diagram illustrating an electrical circuit providing features of the instant invention.

FIG. 3 is a schematic circuit diagram of a conventional microwave oven.

DETAILED DESCRIPTION OF THE INVENTION

Referring to the drawings, cabinet 10 houses a microwave oven upper section 12 and a refrigerator lower section 14, with louvers 13 for venting the microwave section and cord 11 for supplying power to the combined refrigerator and microwave device from the standard receptacle.

The basic housing 10 comprises molded inner and outer shells with appropriate insulation therebetween, and these shells may be comprised of several panels defining sides, top, bottom, front and back of the device. The construction of the refrigerator section generally is well known and includes a freezer compartment. Below or at the rear of the refrigerated compartment and above the bottom panel is a refrigeration unit including condenser coils (not shown), while heat transfer mesh or screen is attached at the rear of the unit.

Above refrigerator section 14, and thermally insulated therefrom, is the microwave oven section 12 having the cooking compartment thereof surrounded by an absorptive layer. The absorptive layer is for preventing microwave energy from (1) reflecting from the outer wall and back to the magnetron of the microwave oven and thus damaging the magnetron, (2) warming foodstuffs in adjacent refrigerator compartments, and (3) escaping from the unit to the surrounding environment.

Of particular importance in the invention is the provision of a timing circuit 30 for controlling power to the magnetron and the compressor of the refrigerator.

Referring to FIG. 3, the magnetron of a conventional microwave is supplied with power via a transformer. In FIG. 3, the door of the oven is open and, upon closing thereof, the interlock switches S2 are closed and switch S3 is opened. Thus, the door must be closed in order for line power to be supplied to the timer switch S1 and to the transformer.

However, in order to combine a microwave oven and refrigerator in the same cabinet, while sharing line power supplied to the cabinet in the least costly and most efficient manner, it is necessary to ensure that the magnetron of the oven and the compressor of the refrigerator are not operated at the same time.

EXHIBIT 18-6 (Continued)

3	4,880,954	4
<p>As seen in FIG. 2, the instant invention provides that the manually settable timer of a microwave oven interrupts line power to the refrigerator compressor by means of switch S4 whenever the timer is operating, while providing that same line power to the microwave oven and magnetron thereof in a manner that ensures the availability of line power to the refrigerator compressor upon completion of the timing function, even if the door of the microwave has been left open. In other words, with the timer manually set and actuated so that power is supplied to the timer motor via switch S4 according to a desired cooking time by the microwave oven, and with the door of the oven closed so that the interlock switches S2 and S3 allow supply of line power to the transformer of the microwave, opening the door of the prior to completion of the timing function will open switches S2 and interrupt power to the magnetron, but not to the timer. Thus, if the door is left open, line power can again be supplied to the compressor via switch S4 at the end of the previously selected timing period.</p> <p>Having described the invention, it will be seen that the objects set forth above, among those made apparent from the preceding description, are efficiently obtained and, since certain changes may be made in carrying out the above method and in the construction set forth without departing from the scope of the invention, it is intended that all matter contained in the above description or shown in the accompanying drawings shall be interpreted as illustrative and not in a limiting sense.</p> <p>It is also to be understood that the following claims are intended to cover all of the generic and specific features of the invention herein described, and all statements of the scope of the invention which, as a matter of language, might be said to fall therebetween.</p> <p>Now that the invention has been described, I claim:</p> <p>1. In a method of operating a compressor of a refrigerator and a magnetron of a microwave oven, said re-</p>		<p>frigerator and microwave oven being combined in a single cabinet, the improvement comprising the steps of: providing said microwave oven with manually settable means for timing supply of operating power to said magnetron for different, selectable periods of time;</p> <p>setting said timing means according to each desired period of operation of said magnetron;</p> <p>starting and operating said timing means according to said setting; and</p> <p>preventing operation of said refrigerator compressor by and during said operating of said timing means.</p> <p>2. In an electrical supply control circuit for a compressor of a refrigerator and a magnetron of a microwave oven, said refrigerator and microwave oven being combined in a single cabinet and sharing line power supplied to said cabinet, the improvement comprising: manually settable means for timing supply of operating power to said magnetron for different, selectable periods of time; and</p> <p>means for interrupting a power path to said refrigerator compressor during said operating of said timing means.</p> <p>3. In an electrical supply control circuit for a compressor of a refrigerator and a magnetron of a microwave oven, said refrigerator and microwave oven being combined in a single cabinet and sharing line power supplied to said cabinet, said microwave oven being provided with a door having interlock means for interrupting power to said magnetron when said door is open, the improvement comprising:</p> <p>manually settable means for timing supply of operating power to said magnetron for different, selectable periods of time;</p> <p>means for interrupting a power path to said refrigerator compressor during said operating of said timing means; and</p> <p>circuitry means for reestablishing said power path upon cessation of said timing means even when said door is open.</p> <p>* * * * *</p>
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EXHIBIT 18-6 (Continued)

together with the number of the patent. The notice may be placed on the article or on a label attached to the article. Under the AIA, patent holders may now “virtually” mark their products by placing the word

“patent” or “pat.” together with a publicly accessible and free Internet address that associates the patented article with the number of the patent. Thus, when a patent expires, its owner will not have to go

to the great expense and effort of changing physical items or molds; it can simply change the information on its Internet page.

Use of the notice is not mandatory; however, in the event of failure to use the notice, no damages may be recovered by the patentee in any infringement action, unless it is proved that the infringer was notified of the infringement and continued to infringe thereafter. Marking of the patented invention constitutes such notice. Thus, although use of the notice is not required, it is always recommended. The patent marking statute applies only to articles because processes and business methods cannot be marked.

False marking is prohibited and is punishable by fine. In fact, after the Federal Circuit held in 2009 that the penalty for mismarking may be \$500 per *article* (rather than per occurrence), which may be awarded to any person suing for the penalty (in which event one-half goes to the person suing and the other one-half to the United States), more than 1,000 “false marking” suits were brought, including one against the maker of Frisbees. In many cases, companies simply neglected to omit the language “patented” from their articles once their patents expired (or were attempting to reduce the costs that would be incurred if molds had to be recast). The *Washington Post* reported in 2011 that lawyers and potential plaintiffs have “trolled the aisles” of stores looking for expired patent numbers so that they could then sue on the basis of false marking and recover the statutory damages of one-half of \$500 for each mismarked product. (See Case Illustration.)

To remedy the flood of false marking suits, the AIA provides as follows:

- Only the U.S. government may recover the statutory remedy provided; and
- Only a person who suffers a competitive injury due to false marking may initiate a civil suit for damages.

The new provision is not only effective on the date AIA was signed into law, but also applies to any lawsuits pending at that time. Thus, numerous false marking suits brought by unrelated third parties will be dismissed because these parties will not be able to show they have been injured by mismarking of a patented article.

Statutory Invention Registrations

A **statutory invention registration (SIR)** is not a patent. It is an invention “registration.” It has the defensive attributes of a patent but not the enforceable attributes of a patent. An applicant may file a request for a SIR (under the provisions of 35 U.S.C. § 157) at the time of filing a standard nonprovisional patent application or later during the pendency of a nonprovisional application. Generally, an applicant will request an SIR to prevent someone else from obtaining a patent on his or her invention. An inventor may request an SIR to place the invention in the public domain for others to use and to ensure another cannot obtain a patent on the invention. The SIR owner will not be able to preclude anyone else from making, using, or selling the invention. Upon publication of the SIR, the inventor waives all patent rights to the invention. Because inventors seldom desire to waive such rights, SIRs are seldom requested. In fact, in 2011, only 15 SIRs were published/granted (seven of which were granted to the U.S. Navy).

Under the AIA and effective March 16, 2013, the provisions relating to SIRs will be repealed, and it will no longer be possible to request an SIR.

POST-ISSUANCE ACTIONS

There are several separate ways to correct, amend, or challenge an issued patent: a certificate of correction, a reissue patent, a disclaimer, an *ex parte* reexamination, an *inter partes* reexamination, and effective September 16, 2012, an *inter partes* review,

a post-grant review, or supplemental examination. The Patent Trial and Appeal Board's three-member panels will review adverse decisions of examiners and appeals of reexaminations and conduct derivation proceedings, inter partes reviews, and post-grant reviews.

Correction of Defective Patents

Errors occurring through the fault of the applicant or USPTO, minor errors (such as typographical errors), and errors in the naming of inventors can be corrected by asking the USPTO to issue a **Certificate of Correction**. Mistakes made by the USPTO will be corrected without charge. Mistakes made by the applicant will be corrected upon the payment of a \$100 fee.

Reissuance of Patent

Errors that are more significant, such as defects in the specification or drawings, that cause the patent to be partially or wholly inoperative or invalid, are corrected by a **reissue patent**. A reissue patent may also be sought for the purpose of enlarging claims. The patentee's attorney may have failed to state the claims broadly enough or the patentee may discover that the claims stated in the issued patent are narrower than the prior art would require the patentee to make. In cases in which the patentee seeks to broaden claims, a reissue application must be filed within two years of the grant of the original patent. While claims may be enlarged because the patentee originally claimed less than he or she had a right to claim, no new matter may be allowed.

An application for reissue must contain the same parts required for an application for an original patent (namely, a specification that includes claims, drawings, and oath of inventor). Moreover, the fee submitted must include a basic filing fee, search fee, and examination fee. Reissue proceedings involve a surrender of the original patent, filing of a reissue

application, and reprosecution of the patent's claims (in the same manner as non-reissue applications).

If the application for reissuance is granted, the original patent is surrendered. The reissue patent is identified by the prefix "RE" in the USPTO records, for example, RE35,312, and its term is the same as that of the original patent inasmuch as it is granted to replace the original patent. In 2011, only 969 reissue patents were granted.

It is possible that during the two-year period before a reissue application is made, a third party has begun offering a device that did not infringe the original patent claims but that now infringes the reissue patent with its broader claims. In such a case, a court may authorize the third party to continue offering the device without liability for infringement. According to 35 U.S.C. § 252, no reissued patent shall affect the right of such an intervening party to continue to use or sell a device or invention unless the device or invention infringes a valid claim of the reissued patent that was in the original patent as well; otherwise, the significant investment an innocent third party might make in bringing a product to market would be lost. The intervening party, however, may continue to make or sell only the same specific thing; no additional devices can be offered.

Disclaimers

A patent owner who discovers that a claim in a patent is invalid may cancel the claim by filing a *disclaimer*. 35 U.S.C. § 253. The other claims remain valid and are unaffected by the disclaimer of the affected claim. A patent owner is not required to cancel an invalid claim, but cannot recover costs in an infringement suit alleging infringement of the valid claims unless the invalid claim is canceled prior to commencement of the lawsuit. 35 U.S.C. § 288. This type of disclaimer (often called a **statutory disclaimer**) is different from the terminal disclaimer discussed earlier (which is used to overcome a double patenting objection); it is a relinquishment of

rights to one or more claims of a patent. It is not a vehicle for adding or amending claims.

Reexaminations, Inter Partes Reviews, Post-Grant Reviews, and Supplemental Examinations

Ex Parte Reexamination. When trademarks are published for opposition in the *Official Gazette*, third parties who believe they may be harmed by registration of the mark may oppose registration of the mark. Similarly, even after trademark registration, a registration may be canceled on certain grounds, including confusing similarity to a prior mark. Federal law affords no equivalent rights to a party during prosecution to oppose the issuance of a patent. In fact, because almost all pending patent applications are kept confidential until at least their time of publication 18 months after initial filing, parties seldom know whether an application has been filed for a patent.

Nevertheless, 35 U.S.C. § 302 provides that any person, including either the patent owner or an accused infringer of a patent, may file an *ex parte* (literally, a request “by one side” only) request for reexamination of any claim in an issued patent based upon the prior art, namely, patents or printed publications that may have a bearing on the patentability of a claim. An *ex parte* request for reexamination may be made at any time during the term of enforceability of the patent and must be accompanied by a filing fee of \$2,520. The person seeking reexamination may do so anonymously.

Within three months following the filing of a request for reexamination, the USPTO will determine whether a substantial new question of patentability affecting any claim of the patent has been raised. If the USPTO determines that a substantial question is raised, **reexamination of the patent** will be ordered so the question may be resolved. The reexamination procedure is identical to the procedure for

initial examination of a patent application. The patent owner is permitted to amend his or her claims to distinguish them from the prior art, although no new matter enlarging or broadening the scope of a claim is permitted. Once a third party requests reexamination, his or her role is limited to filing one response to a patentee’s statement. To conclude a reexamination proceeding, the USPTO will publish a certificate canceling any claim determined to be unpatentable and confirming any claim determined to be patentable. The third party has no right to appeal the decision. The Patent Act requires that the reexamination procedure be conducted with “special dispatch.”

Inter Partes Reexamination (Until September 16, 2012). In 1999, Congress expanded the reexamination process by providing for *inter partes* (literally, “between parties”) reexamination. Congress was concerned over the volume of expensive patent litigation and recognized that *ex parte* reexamination was infrequently used because a third party’s involvement was so limited. After hearing testimony from witnesses that the volume of patent lawsuits would be reduced if third parties could argue their cases for patent invalidity before the USPTO, Congress enacted the American Inventors Protection Act, which amended the Patent Act to provide for optional *inter partes* reexamination of patents. 35 U.S.C. §§ 311–318.

Like *ex parte* reexamination proceedings, *inter partes* reexamination proceedings are initiated by a request for reexamination; however, they may be initiated only by third-party requesters (and not by the patent owner) and cannot be requested anonymously. The filing fee is very high, \$8,800 (probably due to the enhanced participation of third parties in the process). Just as with *ex parte* reexamination, the only basis for seeking *inter partes* reexamination is prior art, consisting of patents or printed publications that bear on patentability. Until the passage of

the AIA, the standard for granting inter partes reexamination was whether a substantial new question of patentability was raised by the request; effective September 16, 2011, the standard is whether there is a reasonable likelihood that the requestor will prevail with respect to at least one of the challenged claims (a much higher standard).

As is the case with ex parte reexamination, the USPTO will determine within three months whether the requestor is likely to prevail. If such a determination is made, a reexamination will be ordered to resolve the question. Reexamination is conducted according to the procedures established for an initial examination of a patent application. At the conclusion of the reexamination proceeding, a certificate will be issued that cancels any claim determined to be unpatentable and confirms any claims determined to be patentable. For both ex parte and inter partes reexaminations, if the USPTO decides not to order reexamination, such determination is final and nonappealable.

The primary difference between ex parte reexamination and inter partes reexamination is that in inter partes reexamination, the third party plays an active role. Every time that the patent owner files a response to an office action issued by the USPTO, the third party has the right to file written comments addressing issues raised by the office action or the patent owner's response. Moreover, the third party may appeal an adverse decision to the Board of Patent Appeals and Interferences ("BPAI") and thereafter to the CAFC (just as may the patent owner).

The reexamination procedures can provide an alternative to litigation. Prior to commencing an infringement action, either the patent owner or the potential defendant may request ex parte reexamination, and a third party requester may request inter partes reexamination of an issued patent. Reexamination is less expensive and more expeditious than patent infringement litigation, confirms that claims are patentable, and may thus provide impetus for

the parties to settle a dispute. The inter partes reexamination procedures allow third parties to play an expanded role in the reexamination process and afford them appeal rights, thus placing these third parties on a more equal footing with patent owners in the reexamination process. To ensure that the inter partes reexamination proceeding is not used to harass patent owners, a third-party requester is later precluded from asserting in court the invalidity of any claim that is determined to be valid during the reexamination process on any ground that the third party raised or could have raised during the inter partes reexamination proceeding. This estoppel effect may deter some parties from requesting inter partes reexamination.

Inter partes reexamination requests lag significantly behind requests for ex parte reexamination: In fiscal year 2011, 759 requests for ex parte reexamination were filed while only 374 requests for inter partes reexamination were filed.

Inter Partes Review (After September 16, 2012). Under the AIA, and effective September 16, 2012, all of the provisions relating to inter partes reexamination (35 U.S.C. §§ 311–318) will be repealed and replaced with a new procedure: inter partes review. A petition for inter partes review can be filed by a person who is not the patent owner after the later of either nine months after the grant of a patent or the termination of a post-grant review (discussed next). The petition must identify all parties in interest; it cannot be anonymous.

Review may be granted only if the Director believes that the petitioner has a reasonable likelihood of prevailing with respect to proving at least one of the challenged claims is invalid on the basis of lack of novelty or obviousness. The proceeding will be conducted by the Patent Trial and Appeal Board, which may order limited discovery and allow oral hearings. A party that uses inter partes review (which results in a final determination) is later estopped

or precluded from raising in a subsequent USPTO proceeding, civil action, or International Trade Commission proceeding that a claim in the challenged patent is invalid on any ground raised or that reasonably could have been raised in the inter partes review. Inter partes review will be completed within one year. The parties are allowed to resolve the matter by a private settlement if they file their written settlement agreement with the USPTO. Either party may request that the settlement be kept “business confidential.” If the matter is not settled, the Patent Trial and Appeal Board will issue a final decision, and the USPTO will issue a certificate cancelling any claim determined to be unpatentable or confirming any claim determined to be patentable. A party dissatisfied with the decision in an inter partes review may appeal to the CAFC.

As discussed in Chapter 21, a person sued or threatened to be sued for infringing certain types of business method patents may also request a specific review proceeding.

Post-Grant Review. Effective September 16, 2012, the AIA adds an entirely new procedure to challenge an issued patent: the **post-grant review**, by which a party who is not the patent owner may file a petition to invalidate a patent on any basis. The petition for a post-grant review must be filed within nine months after the patent is granted and must identify the parties bringing it. A post-grant review cannot be instituted if the petitioner has already filed a civil action challenging the validity of the patent.

The Director will authorize the post-grant review if it is more likely than not that at least one of the claims challenged is unpatentable or if the petition raises a novel or unsettled legal question that is important to other patents or patent applications. The estoppel provisions relating to inter partes reviews apply to post-grant reviews, namely, that if a final determination is made in a post-grant review, the petitioner may not maintain a proceeding before

the USPTO, a civil action, or a proceeding before the International Trade Commission that a claim is invalid on any ground that was raised or reasonably could have been raised in the post-grant review. Thus, the risk of being precluded from raising issues in later litigation must be considered before petitioning for a post-grant review. Discovery and oral hearings are allowed. The proceeding will be conducted by the Patent Trial and Appeal Board, which will make a final determination within one year and will issue a certificate cancelling invalid claims or confirming validity of the challenged patent. The parties may elect to resolve their dispute by settlement. If they do so, they must have a written settlement agreement and file it with the USPTO. If a party requests, the settlement agreement will be kept “business confidential.” A party who is dissatisfied with a ruling in a post-grant proceeding may appeal the decision to the CAFC.

Supplemental Examination. In nearly every patent infringement suit, the defendant asserts the defense that the patent he or she is accused of infringing is invalid due to the patentee’s “inequitable conduct” during the patent prosecution process. Typically, the defendant alleges that the patentee would not have received a patent but for his or her misrepresentations to the USPTO. The Federal Circuit itself has labeled the practice of reflexively asserting inequitable conduct a “plague” on the patent system.

To address this plague, effective September 16, 2012, and under the AIA, another entirely new procedure has been created, the **supplemental examination**, in which the patent owner requests a reexamination of his or her own patent to consider information that was not previously considered or that was incorrect. If the USPTO determines that a substantial new question of patentability has been raised, an ex parte reexamination will be ordered. The patentee must act promptly; supplemental examination cannot be requested if an allegation of

inequitable conduct has already been asserted in litigation. Although the supplemental examination provisions do not come into effect until September 16, 2102, they apply to any patent issued before, on, or after that date.

If the USPTO determines that the information does not present a substantial new question of patentability or that the patent is still valid, that information cannot later be used to hold the patent unenforceable or invalid in litigation on the basis of an inequitable conduct attack. In essence, the supplemental examination allows patentees to cleanse or correct their own errors or omissions during their patent's examination process (other than fraudulent acts, which can never be cleansed) and thus avoid a later allegation that their inequitable conduct renders their patent unenforceable.

TERM AND MAINTENANCE OF PATENTS

Term of Patents

For many years, the term of a utility patent was 17 years from the date of issuance. To align the U.S. patent system with that of most European countries and Japan, effective June 8, 1995, the term of utility and plant patents was changed from 17 years from issuance to 20 years from the date of filing of the application. The new provisions thus encourage inventors to prosecute applications in a timely manner. Under special statutory provisions, patents in existence or issued under applications filed before June 8, 1995, have a term of 17 years from issuance or 20 years from filing, whichever is longer. The term for design patents is 14 years from the date of issuance. After the term for any patent expires, anyone in the public has a right to make, use, sell, or import the invention or process (assuming no other government agency approval, such as that of the FDA, is required).

Under the AIPA, there are some statutorily mandated extensions to patent terms, typically called *patent term adjustments*, usually granted to compensate for certain USPTO processing delays and for delays in the prosecution of applications pending more than three years. Subtitled “The Patent Term Guarantee Act of 1999,” this portion of the AIPA guarantees diligent applicants a minimum 17-year patent term. The term of a patent is extended one day for each day lost as a result of various USPTO administrative delays or delays caused by interferences, secrecy orders, or successful appeals. Extensions are reduced by delays requested by the applicant.

In addition to **patent term adjustments**, which are made to compensate for USPTO delays, a patent owner may apply for a **patent term extension**, which is granted to compensate patent owners of new drug products, medical devices, and the like to recoup some of the time these owners lose when their products cannot be marketed because they are awaiting regulatory review (usually by the FDA). In such cases, the patent term may be extended by an amount equal to the time of the regulatory review; however, the period cannot exceed 14 years from the product's approval date.

Maintenance Fees

To maintain a utility patent in force, certain fees must be paid to the USPTO three times throughout the term of the patent. **Maintenance fees** are due at the 3½-, 7½-, and 11½-year anniversaries of the date of issuance. If the maintenance fees are not paid on or within six months before the due date or within a six-month grace period thereafter, the patent will expire at the end of the grace period. A surcharge is assessed if payment is made within the six-month grace period.

Patents that expire for nonpayment of maintenance fees may be reinstated within 24 months after

the six-month grace period if the delay is shown to be unintentional, and expired patents may be reinstated at any time after the six-month grace period if the delay is shown to be unavoidable. Generally, an unavoidable delay is one that occurs because of reasonable reliance on mail delivery, employee conduct, or docketing systems; if through unforeseen events an error or delay occurs, it is viewed as unavoidable.

Imposing maintenance fees serves an important public policy: Patents that are not maintained are then released to the general public for all to use the invention without fear of infringement. Maintenance fees may be paid by mail or over the Internet by electronic funds transfer, credit card, or through a deposit account established with the USPTO.

At present, the maintenance fees are as follows:

Due Date	Regular Fee/ Small Entity Fee
Due at 3½ years:	\$1,130/\$565
Due at 7½ years:	\$2,850/\$1,425
Due at 11½ years:	\$4,730/\$2,365

The surcharge for late payments made within six months of the due date is \$150/\$75. The USPTO estimates that most patentees will pay the USPTO a minimum of \$4,000 over the life of a patent.

No maintenance fees are due for design or plant patents.

TRIVIA

- The USPTO granted its eight-millionth patent in August 2011.
- The youngest person granted a patent was a 4-year-old from Texas whose patent was for an aid for grasping round knobs.
- The USPTO was the first intellectual property office in the world to offer electronic filing for patents over the Internet.
- Fiscal year 2011 saw an increase of 5.2 percent over fiscal year 2010 in utility, plant, and reissue patent applications filed at the USPTO.
- The top three companies granted patents in 2010 were IBM (5,866 patents), Samsung Electronics (4,518 patents), and Microsoft (3,121 patents).
- At the end of fiscal year 2011, the USPTO had a total number of 1,168,928 patent applications pending.
- The USPTO reports that about 100 percent of patents issued are maintained at 3½ years, about 81 percent are maintained at 7½ years, and only 60 percent are maintained at 11½ years.
- In fiscal year 2011, the USPTO received 41 percent of its patent revenue from maintenance fees, the largest source of revenue for the USPTO.
- The design patent for the Congressional Medal of Honor was granted in 1904.

TRIVIA

CHAPTER SUMMARY

Once a patent search has been conducted to determine an invention is novel and nonobvious, a patent application can be prepared. The patent application consists of a specification describing the invention and the inventor's oath or declaration. Recall that effective March 16, 2013, the United States will award patents to the first to file the application, rather than to the first to invent. Applicants have a duty of candor in their dealings with the USPTO and must disclose anything that bears on the patentability of the invention. Applications filed at the USPTO are maintained in confidentiality until their publication. Once a patent is published or issues, the entire file wrapper is available for review and copying. Once the application is filed, it will be examined by an examiner who will review the specification and determine patentability. One or more office actions may be issued that may necessitate amending or clarifying the claims. No new matter can be added to a pending application. Once the examiner allows the application, an issue fee must be paid for the patent to be granted. Utility and plant patents have a term of 20 years from the date of application while design patents have a term of 14 years from the date of grant. Patentees must pay fees at three different intervals to maintain a utility patent. The invention may be marked with a notice of patent, which will assist the inventor in recovering damages from infringers. After a patent has been issued, the patentee may request reissuance to correct a defective patent or to broaden claims if the application for reissuance is filed within two years after the original patent was granted. Various post-issuance proceedings (including reexaminations, and, after September 16, 2012, inter partes reviews, post-grant reviews, and supplemental examinations) are available to challenge or correct issued patents.

CASE ILLUSTRATION

FALSE MARKING

Case: *Pequignot v. Solo Cup Co.*, 608 F.3d 1356 (Fed. Cir. 2010)

Facts: The plaintiff brought an action against the holder of patents for plastic drink cup lids, alleging that the patent holder and defendant had falsely marked its products with patent numbers after the patents for the products had expired. The district court granted the patent holder summary judgment and the plaintiff appealed.

(Continues)

Holding: Affirmed in part and vacated in part. Articles that were marked with expired patent numbers were “falsely marked” as required for liability under the false marking statute, 35 U.S.C. § 292. The statute, however, also requires that the marker act “for the purpose of deceiving the public” for liability to attach. A false statement that an article is patented, coupled with knowledge that the statement was false, creates a rebuttable presumption of intent to deceive the public. In this case, however, the defendant was able to rebut the presumption by showing it had relied on advice of counsel in continuing to mark its products (although the patents had expired) and that it had acted out of a desire to reduce costs. The costs to replace the molds that included the patent numbers were high; however, once the molds became worn out, the defendant replaced them with unmarked molds. The false marking statute is a criminal one; thus, the bar for proving deceptive intent is high.

(Note: Due to the new provisions of the AIA, allowing only one who has suffered a competitive injury to allege false marking, cases such as *Solo Cup* will be far less common.)

CASE STUDY AND ACTIVITIES

Case Study: Holiday recently discovered that a newly issued patent to ABC Co. may be infringing Holiday’s navigation system, which was patented before ABC received its patent. Holiday is reluctant to initiate litigation against ABC and does not want ABC to know that it is questioning the ABC patent. Holiday also discovered that the patent for its navigation system neglected to identify Colin Nelson, one of the inventors of the system.

Activities: What might Holiday consider doing to determine whether the patent issued to ABC is invalid and what should Holiday do with regard to its failure to identify Colin Nelson as one of the inventors of its navigation system? Calculate any fees Holiday might incur with regard to any action it might take.

ROLE OF PARALEGAL

Paralegals are involved in a variety of tasks in the patent search and prosecution process, including the following:

- Conducting online searches to locate and retrieve patents that may bar a client’s application for a patent;
- Gathering information from clients about their inventions so that searches can be targeted to the relevant prior art;
- Conducting research in nonpatent resources to locate relevant prior art;
- Obtaining copies of prior art, patents, and records from the USPTO;
- Assisting attorneys in reporting results of patent searches to clients;
- Drafting claims and preparing patent applications;
- Coordinating and assembling drawings for application;
- Verifying small entity and micro entity status;

- Assisting in the patent application process by drafting and securing inventor's oath or declaration and drafting descriptions of drawings;
- Assembling the application packet;
- Preparing assignment of patent application and invention and recordation document for same, if applicable;
- Preparing and filing Information Disclosure Statements;
- Coordinating the filing of the application (either in paper form or through EFS-Web) and the payment of fees;
- Docketing the date to ensure filing of a standard utility patent application 12 months after provisional application is filed, if pertinent;
- Docketing the filing date of either a utility or standard patent application to ensure that protection is sought in Paris Convention countries within 12 months of the filing date, if desired;
- Maintaining and replenishing USPTO deposit accounts;
- Docketing dates for responding to office actions and preparing requests for extensions, if necessary;
- Assisting in preparing responses to office actions;
- Amending application to omit inventors if their claims have been dropped from the application;
- Monitoring the status of applications through PAIR and notifying clients of status of patent prosecution;
- Preparing terminal disclaimers if a double patenting rejection is made;
- Assisting in preparing divisional, continuation, and continuation-in-part applications;
- Reporting notices of allowance and publication to client and docketing date for payment of issue and publication fees;
- Reviewing issued patent and making requests for correction, if necessary;
- Assisting in post-issuance reexamination and review proceedings as well as post-grant reviews and supplemental examinations and preparing petitions therefor;
- Assisting in notifying client of issuance of patent, term of duration, marking of patent, and necessity to maintain patent; and
- Docketing dates for maintenance fees for utility patents and maintaining patents in force.

INTERNET RESOURCES

Federal laws relating to patents: <http://www.law.cornell.edu> <http://www.gpo.gov/fdsys>
<http://thomas.loc.gov>

Text of AIA:

USPTO's information on how to search patents: <http://www.uspto.gov/patents/process/search/index.jsp>

Google Patent Search: <http://www.google.com/patents>

Patent search tutorial offered by Pennsylvania State University: <http://www.libraries.psu.edu/psul/pams/patent.html>

U.S. Patent and Trademark Office:	http://www.uspto.gov (general information about patents, filing process and fees, frequently asked questions, forms, and new rules and regulations, including the AIA)
Manual of Patent Examining Procedure:	http://www.uspto.gov/web/offices/pac/mpep/mpep.htm (USPTO's guide and manual to patent application, prosecution, and appeal process)
General information:	http://www.ipmall.fplc.edu (Pierce Law's IP Mall with excellent information and articles and links to other IP sources) http://www.megalaw.com http://www.findlaw.com

DISCUSSION QUESTIONS

1. Even after performing a comprehensive search for a client, why is it impossible to predict whether an invention will be viewed as novel by the USPTO?
2. Jay, an inventor, is concerned that his invention, a new car alarm system, might not be marketable because its cost will be high. What might Jay do in order to embark on patent protection without incurring the full costs of a utility patent application?
3. Alice's patent application, disclosing her new type of serrated knife, was published in May of last year. The application is still being examined by the USPTO. Alice has discovered that Knife Co. has begun selling a knife identical to Alice's. What remedies, if any, might Alice have against Knife Co.?
4. During examination of Alice's application, the USPTO determines that Alice's application is for the same invention as that covered by another patent Alice obtained last year. What might Alice do to overcome this objection by the USPTO?
5. When a patent is granted, the inventor receives an exclusive period of time within which to exclude others from exploiting the invention. What must the inventor "give" to the USPTO as a "tradeoff" for this grant?
6. Kim filed for her plant, design, and utility patents on April 28, 2009. All were granted on June 15, 2011. Identify the term of each patent and any obligations Kim has to maintain these patents in force.
7. Jill received one patent on March 12, 2009, and one on July 10, 2011. On May 1, 2012, Jill discovered that she could have stated the claims more broadly in each patent. What action, if any, may Jill take to correct these omissions?
8. Kyle is planning to sue Dana for patent infringement but he is concerned that once he sues Dana, she will allege that his patent (issued in October 2012) is invalid due to Kyle's inequitable conduct before the USPTO when Kyle prosecuted his patent. Specifically, Kyle believes Dana will allege Kyle neglected to disclose some prior art relating to the patent to the USPTO. What might Kyle do to thwart such an attack by Dana?

USING INTERNET RESOURCES

The first 11 questions may be answered by accessing the USPTO website at <http://www.uspto.gov>.

1. Select “Patent Process” and then “Patent Classification.” Review the alphabetically arranged Patent Classification Index. In which class are boots? In which class is perfume compositions?
2. Use the search box to locate the roster of patent attorneys and agents. What is the registration number for attorney Frank Rosenberg? When was Mr. Rosenberg registered as a patent agent, and when was he registered as an attorney?
3. Using the “Site Index,” search for Patent Technology Centers. What Technology Center reviews patent applications relating to biotechnology and organic chemistry?
4. Select “Quick Search” for patents. Locate a patent whose title is “dry shaver” and whose inventor’s last name is Tsushio. To which patent number(s) are you directed?
5. Select “Patent Number Search” for patents. Give the title or a brief description for the following patents:
 - Utility patent number 7,881,446
 - Plant patent number 7812
 - Design patent number 401,702
 - Reissue patent number 40,125
6. Select “Public PAIR.” What is the status of Patent Number 6,560,001?
7. Browse the *Official Gazette* for 2011 for July 19, 2011. Browse by Class/Subclass. Select “Class 404.” What is the first patent to which you are directed (in Subclass 9)? Give a brief description of this patent.
8. Access the Annual Report for 2010. Review the USPTO Workload Tables (Table 4). What was the average time for a patent applicant applying for a patent in the field of biotechnology to receive a patent?
9. How many claims are presented in Patent Number 7,812,130?
10. Use the USPTO Glossary to locate the definition of “reissue application.” What definition is given?
11. Use the MPEP (Chapter 22). May the government initiate a reexamination proceeding? What section governs your answer?
12. Access Google’s patent search engine and locate Design Patent Number 11,023. Who is the inventor, and what design is the patent for?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



Patent Ownership and Transfer

CHAPTER OVERVIEW

Because patents have the attributes of personal property, they may be sold, licensed, or made subject to security agreements. In many instances, inventions are the product of more than one inventor. Joint inventorship exists even when the contributions are not equal and the parties do not work in the same physical location. Until the United States moves to a first to file patent system on March 16, 2013, disputes over priority of invention will be determined by the principle that the first to invent is presumed to be the one who first reduced the invention to practice. Laboratory notebooks kept by inventors assist in determining the efforts inventors have made in reducing the invention to practice. Inventions made by an employee are owned by the employee, subject, however, to a “shop right,” a nonexclusive royalty-free license to use the invention in favor of the employer. Nevertheless, if an employee is specifically hired to make an invention, the invention will belong to the employer. In most cases, employees and employers enter into written agreements by which employees agree that any inventions will be owned by and assigned to the employer. Patents may be assigned to others (an outright sale) or may be licensed to others, in which case permission to use the invention is granted to another.

OWNERSHIP RIGHTS

Patents are items of personal property and thus may be owned, sold, licensed, or devised by will. Until September 16, 2012, applications for patents must be filed by the actual inventor of the article, process, design, or plant. After that date, under the America Invents Act (AIA), applications may be filed by the assignee of the invention (or one to whom the inventor has an obligation to assign), making it easier for the true owner of an invention, often an employer, to file the application. If there is more than one inventor, the application must be signed by all inventors (or assignees, after September 16, 2012).

Before September 16, 2012, although the application must be signed by the actual inventor(s), it is possible that another party may already own the invention and any rights arising from it. For example, in many instances, employees are required to sign agreements with their employers whereby they agree that any invention or discovery invented by them while on the job will belong to the employer and that they will agree to assist and cooperate in any manner, including signing applications for patents, to ensure the employer's rights are protected. In such cases, although the oath in the patent application is signed by the individual inventor, when the application is filed, a simultaneous assignment is also filed, transferring the application and any rights under it to the employer. (See Appendix D, Form 14, for an agreement including provisions relating to ownership of inventions and work product by employers.) The new provisions of the AIA (effective September 16, 2012) will eliminate this cumbersome procedure by allowing the assignee to file the application directly.

SOLE AND JOINT INVENTORS

Sole Inventors

An invention may be the product of one person or more than one person. If one person conceives of

the invention, he or she is the sole inventor. A directive given by an employer to an employee to solve a problem or invent an article does not make the employer an inventor. It is finding a solution to a problem rather than articulating it that determines whether one is an inventor. Similarly, giving suggestions, making minor contributions, or helping to build a model or embodiment of the invention do not make a person an inventor.

Joint Inventors

When more than one person contributes to an invention, they are **joint inventors**. Persons may be joint inventors even though they do not physically work together or at the same time, do not make the same type or amount of contribution to the invention, or do not make a contribution to the subject matter of every claim of a patent. 35 U.S.C. § 116. Each, however, must have made some contribution of inventive thought to the resulting product, and there must be some amount of collaboration or connection between them. Thus, individuals who are completely ignorant of what each other has done cannot be considered joint inventors.

Until September 16, 2012, when assignees may file patent applications, joint inventors must apply for a patent jointly, and each must make the required oath or declaration in the application. If one of the joint inventors cannot be found or refuses to join the application, the application may be made by the others on behalf of themselves and the omitted inventor. The U.S. Patent and Trademark Office (USPTO) will grant the patent to the inventor making the application, but the patent will remain subject to the rights of the omitted inventor.

Errors in the naming of inventors can be readily corrected by amendment to the application or by correction to an issued patent. Similarly, amendments occurring during prosecution that result in deletion of certain claims may require changing the named inventors if those inventors contributed only to the deleted claims.

DISPUTES OVER INVENTORSHIP

Disputes under a First to Invent System

Until March 16, 2013, a patent will be awarded to the first to invent. To harmonize U.S. law with that of all other industrialized nations (which follow a “first to file” system), the United States enacted the AIA and will convert to a first to file system on March 16, 2013 (with the grace period described in Chapter 17).

Until March 16, 2013, disputes over inventorship will be determined in interference proceedings, as described in Chapter 18. When a dispute occurs over inventorship, generally, the first to conceive the invention and to reduce it to practice (either actually or constructively) will be held to be the prior inventor. **Conception of an invention** refers to the formation in the mind of the inventor of a definite and permanent idea of the complete invention. For example, in one case it was held that an inventor’s “hope” that a certain process would work did not establish conception because the inventor did not have a definite and permanent understanding as to whether or how the process would work. Generally, conception is complete only when the idea for the invention is so clearly outlined in the inventor’s mind that mere ordinary skill would be required to reduce the invention to practice, without the need for elaborate experimentation or further developmental research.

An invention is not finished when it is conceived. It must be reduced to practice, meaning that it must be made and tested to ensure it works. **Reduction to practice** may be actual or constructive. **Actual reduction to practice** involves construction of the invention in physical form or making or testing the invention or a prototype thereof. Although the invention need not be in such a stage that it is ready for commercial exploitation, it must

be sufficiently tested to demonstrate that it will work for its intended purpose. **Constructive reduction to practice** occurs when an application for a patent, completely disclosing the invention, is filed with the USPTO.

A person who reduces the invention to practice second may prevail and be found to be the first inventor only by showing that he or she conceived the invention first *and* made continual diligent efforts to reduce it to practice. Under TRIPS, and since January 1, 1996, inventive activity abroad (in a NAFTA or WTO country) may be considered in determining who is the first to invent.

To determine when an invention is reduced to actual practice and which inventors worked on which claims, inventors should keep **laboratory notebooks**. Inventors should make routine entries and sketches in notebooks as work on an invention progresses and as contributions are made by others. The safest course is to have the entries witnessed by the signature of a disinterested third party. Documents relating to the work, such as telephone bills, copying charges, emails, text messages, correspondence, and receipts for expenses for materials and supplies should also be maintained with the notebook. Such notebooks are often critical pieces of evidence in determining conception, reduction to practice, diligence, and collaboration by joint inventors.

To provide evidence of the date an invention was conceived, an inventor previously could file a disclosure document with the USPTO. A disclosure document was not a patent application but was rather an informal document filed with the USPTO that described the invention and included sketches or photographs. Its sole purpose was to provide evidence of the date of an inventor’s conception of an invention.

Note that the disclosure document was not the same as the Information Disclosure Statement patent applicants must file with the USPTO to identify

information relating to their invention and to comply with their duty of candor. See Chapter 18 and Exhibit 18–4 for additional material on Information Disclosure Statements.

Because a provisional patent application affords far more benefits and protection to inventors than did a disclosure document, the USPTO eliminated the disclosure document in early 2007.

Disputes under a First to File System

Under the AIA, and effective March 16, 2013, the United States will move from a first to invent system to a first to file system (with a one-year grace period for the inventor's own disclosures) in which a patent will be awarded to the first to file the application for it. This change, which harmonizes U.S. law with that of most foreign nations, should reduce litigation over priority of inventorship and the complicated process of determining conception and reduction to practice because the application filing date will provide a date certain for determining priority. Moreover, the change will eliminate interferences, which are complex and lengthy proceedings.

Nevertheless, it is possible that one inventor may derive or copy his or her invention from another. Thus, effective March 16, 2013, interference practice will be abolished and replaced with derivation proceedings. These proceedings will determine whether a prior applicant derived the invention from a second applicant and, without authorization, filed a patent application for the invention. The petition for the derivation proceeding must be made within one year after first publication of a claim that is the same or substantially the same as a claim in the earlier-filed application. The derivation proceeding will be handled by the Patent Trial and Appeal Board. The parties to a derivation proceeding may settle their dispute privately or select to arbitrate the matter. If they reach a private settlement,

it must be filed with the USPTO, although either party may request that it be kept “business confidential,” in which case it will only be disclosed to government agencies or to third parties who show good cause. A party who is dissatisfied with the Patent Trial and Appeal Board's decision may appeal to the Court of Appeals for the Federal Circuit.

Laboratory notebooks should still be kept, as they will help determine if one inventor derived the invention from another and will also assist in determining the contributions to an invention when more than one inventor claims to be a joint inventor.

INVENTIONS MADE BY EMPLOYEES AND INDEPENDENT CONTRACTORS

Employers and universities engaged in the business of developing inventions, drugs, processes, and other matter subject to patent protection typically require their employees to sign agreements by which the employees agree that anything discovered or invented by them during employment will be owned by the employer. The employee also usually agrees to assign the invention and any patent rights therein to the employer and to cooperate in filing documents and taking any other action to assist the employer in obtaining a patent. If the employee later refuses to sign an application for a patent as the inventor, the employer may do so upon a showing to the USPTO of his or her proprietary interest in the invention, and a patent will issue in the employer's name (see Appendix D, Form 14). Recall that under the AIA, and effective September 16, 2012, one to whom an inventor has assigned an invention (or is under an obligation to do so) may file the patent application. Thus, assignment documents should state that employees not only assign rights in inventions to their employers but also provide that the employer may file the patent application for the invention.

If an employer and employee do not agree in advance about which party will own inventions conceived by the employee during the course and scope of employment, the general rule is that the employee retains ownership rights, subject to a **shop right** in favor of the employer. A shop right is a nonexclusive, royalty-free, nontransferable license of the employer to make and use the invention in the employer's business whether or not the employee remains employed by the employer. The invention must result from efforts of the employee during his or her working hours and with material belonging to the employer. The employee may grant other licenses, may file a patent application and own any issued patent, and may sue for infringement by parties other than the employer. Typically, shop rights arise when an employee who is not hired to invent something nevertheless improves some machine or process at the place of employment. If an employee is specifically hired to solve a certain problem, however, and an invention results from the employee's work, the employee must assign the invention and any patent rights to the employer, even if there is no express agreement between the parties. In such a case, the parties have impliedly agreed that the employee's salary is intended to compensate him or her for making or developing the invention.

Employees who invent some article "on their own time" that is not related to the employer's business generally own the resulting invention.

Companies that engage or commission independent contractors to work on projects or create inventions should always require that the contractor assign all inventions, discoveries, and any other intellectual property rights to the company.

Inventions made by federal employees while working for the U.S. government are generally owned by the federal government. Nevertheless, if the government doesn't intend to patent the

invention or commercialize it, the employee will have ownership rights, subject to a shop right in favor of the government to use the invention. Inventions made by companies or individuals working for the federal government pursuant to contract are usually governed by the terms of the contract. In many instances, particularly for educational, not-for-profit, or small business organizations, the government waives its patent rights. Government contracts relating to energy, nuclear propulsion, weapons programs, and other special topics generally provide that the government retains title to inventions arising from such contracts.

ASSIGNMENT OF PATENT RIGHTS

Because patents have the attributes of personal property, they may be transferred or assigned, just as may other items of personal property, and may be bequeathed by will. Patents or applications for patents may be assigned to another; a written instrument is required. 35 U.S.C. § 261. The written instrument should identify the patent by application or issue number, date, and title of the invention. An **assignment** is a transfer of a party's entire ownership interest or a percentage of that party's ownership interest (see Exhibit 19–1). A few states have prescribed certain formalities to be observed in connection with the sale of patent rights.

Although recording the assignment with the USPTO is not required for an assignment to be valid, recording is recommended because if the assignment is not recorded with the USPTO within three months from its date, it is void against a subsequent purchaser for a valuable consideration who acquired the patent without notice (unless the assignment is recorded prior to the subsequent purchase). The USPTO provides the required cover

ASSIGNMENT OF PATENT

WHEREAS, _____, with an address at _____
(hereinafter referred to as "Assignor"), did obtain a United States Patent for _____,
No. _____, dated _____ (the "Patent"); and

WHEREAS, Assignor is now the sole owner of said Patent; and

WHEREAS, _____ (hereinafter referred to as "Assignee"), with an address at _____
_____ is desirous of acquiring the entire, right, title, and interest in the Patent.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor does hereby sell, assign, and transfer to said Assignee the entire right, title, and interest in and to the said Patent, the same to be held and enjoyed by Assignee for his use and behalf, for his legal representatives and assigns, to the full end of the term for which said Patent was granted, as fully and entirely as the same would have been held by Assignor had this Assignment not been made.

Assignor further assigns to Assignee all right to sue for and receive all damages accruing from past and future infringements of the Patent herein assigned.

Assignor represents that he is the legal owner of all right, title, and interest in and to the Patent and has the right to assign the Patent, that Assignor has not entered into any other agreement or contract that conflicts with this Assignment, and that there are no pending legal proceedings or claims involving the Patent.

This Assignment shall be binding upon the parties, their successors and/or assigns, and all others acting by, through, with, or under their direction, and all those in privity therewith.

Assignor agrees to cooperate with Assignee and take any further action and execute any documents required to effect the purposes of this Assignment and the intent of the parties hereto.

Assignor

Assignee

Date: _____

Date: _____

EXHIBIT 19-1 Patent Assignment

sheet for recording assignments (see Exhibit 19-2), and the patent recordation cover sheet is highly similar to that used for recording assignments of trademarks. Additionally, for pending applications an assignee needs to make an assignment of record in the application file wrapper to allow the assignee to take action with regard to the patent application. The USPTO provides a form for this statement. The patent will then issue in the name of the assignee, and the assignee will be entitled to maintain the patent in force. Recorded assignments since 1980 may be viewed on the USPTO website by patent number

or name of assignee or assignor. The USPTO provides an Electronic Patent Assignment System (EPAS), allowing one to create and submit the assignment recordation form electronically and then attach and file the assignment document itself as a PDF document.

In some instances, parties purchase patents from others in a defensive move, primarily to thwart patent infringement actions. Thus, in 2011, Google bought more than 1,000 patents from IBM in an effort to deter others from suing it for infringing those patents.

**RECORDATION FORM COVER SHEET
PATENTS ONLY**

To the Director of the U.S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

1. Name of conveying party(ies)

2. Name and address of receiving party(ies)

Name: _____

Internal Address: _____

Additional name(s) of conveying party(ies) attached? ☐ Yes ☐ No

3. Nature of conveyance/Execution Date(s):

Execution Date(s) _____

☐ Assignment

☐ Merger

☐ Security Agreement

☐ Change of Name

☐ Joint Research Agreement

☐ Government Interest Assignment

☐ Executive Order 9424, Confirmatory License

☐ Other _____

Street Address: _____

City: _____

State: _____

Country: _____ Zip: _____

Additional name(s) & address(es) attached? ☐ Yes ☐ No

4. Application or patent number(s):

☐ This document is being filed together with a new application.

A. Patent Application No.(s)

B. Patent No.(s)

Additional numbers attached? ☐ Yes ☐ No

5. Name and address to whom correspondence concerning document should be mailed:

Name: _____

Internal Address: _____

Street Address: _____

City: _____

State: _____ Zip: _____

Phone Number: _____

Fax Number: _____

Email Address: _____

6. Total number of applications and patents involved: _____

7. Total fee (37 CFR 1.21(h) & 3.41) \$ _____

☐ Authorized to be charged to deposit account

☐ Enclosed

☐ None required (government interest not affecting title)

8. Payment Information

Deposit Account Number _____

Authorized User Name _____

9. Signature:

Signature

Date

Name of Person Signing

Total number of pages including cover sheet, attachments, and documents:

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O.Box 1450, Alexandria, V.A. 22313-1450

Pursuant to 35 U.S.C. § 262, in the absence of agreement to the contrary, each of the joint owners of a patent may make, use, license, offer to sell, or sell the patented invention without the consent of and without accounting to the other owners. Thus, similar to copyright law, each owner has the right to assign or license the patent to a third party without agreement of the other co-owners. Unlike copyright law, however, which requires accounting of profits, patent law does not require a joint owner to account to the others for monies received from such sale. Thus, it is critical that joint inventors be subject to a written agreement detailing their rights to use, make, sell, and license the invention to others.

LICENSING OF PATENT RIGHTS

A **license** differs from an assignment in that it is not an outright grant or transfer of ownership. The licensing of a patent transfers a bundle of rights, which is less than the entire ownership interest. A license is merely a permission to use. The permission or license may be limited in its scope, duration, terms, or territory. A patent license is, in effect, a contractual agreement that the patent owner will not sue the licensee for patent infringement if the licensee makes, uses, offers for sale, sells, or imports the claimed invention, as long as the licensee fulfills its obligations and operates according to the terms of the license agreement. Licenses may be exclusive (meaning that only one party has the ability to exploit the invention) or may be nonexclusive (meaning that more than one party may be given rights in the invention or patent). Similarly, licenses may be for the term of the patent (20 years from the date of filing) or may be for a limited time period. Licenses may be granted to one party to make the invention and to another party to sell the invention. They may be restricted to specific

geographical areas, so that one party has rights west of the Mississippi while another (or the patent owner) has rights east of the Mississippi. Licenses are not usually recorded with the USPTO because they are viewed as private contractual relationships between parties that do not affect the ultimate ownership of the patent.

The patent owner may charge a one-time lump-sum payment for the license or may receive royalties or periodic payments during the term of the license. Typically, royalty payments are based upon sales of the invention. For example, an owner might receive 5 percent of the sales price of each patented item sold. Restrictions may be imposed on the licensee requiring the licensee to sell a certain number of units or forfeit the license or pay the licensor an increased amount therefor. As a sign of the value of patents, consider that it is currently estimated that \$150 billion is generated each year from patent licensing in the United States. IBM alone reportedly generates between \$135 million and \$1 billion annually in income generated by patent royalties.

In some instances, parties resolve patent disputes through license arrangements. For example, in 2010, to settle a patent dispute, Samsung Electronics agreed to pay Kodak \$550 million to license its technology.

Security interests may also be granted in patents to secure an obligation so that in the event of a default, the patent may be seized by the secured party. For example, the owner of a patent may wish to borrow money from a lender. The lender may be unwilling to lend money without some property being pledged as collateral for the loan. If a patent is pledged as collateral, and the patent owner defaults in any payments due to the lender, the lender may seize all rights in the patent. Although recordation with the USPTO of security interests in patents is not required, recordation is advised inasmuch as it provides notice to the public of the

various interests claimed in a patent. The same recordation cover sheet used for assignments is also used for recording security interests. When the loan is repaid, another document is then filed with the USPTO confirming the security interest has been released.

INVENTION DEVELOPERS AND PROMOTERS

Invention developers or promoters are companies or individuals that promise to evaluate, develop, patent, and market inventions for others. Many are unscrupulous. In fact, due to the poor track record of invention promotion firms, the Inventors' Rights Act of 1999, part of the American Inventors Protection Act of 1999, helps protect inventors against deceptive practices of invention promotion companies. The Act (see 35 U.S.C. § 297) requires invention promoters to disclose in writing the number of positive and negative evaluations of inventions they have given over a five-year period and their customers' success in receiving net financial profit and license

agreements as a direct result of the invention promotion services.

Customers injured by a promoter's failure to disclose the required information or by any material false or fraudulent representation by the invention promoter can bring a civil action to recover statutory damages up to \$5,000 or actual damages. Damages of up to three times the amount awarded are available for intentional or willful violations.

Additionally, while the USPTO does not investigate complaints against invention promoters or participate in legal proceedings, it does accept complaints against invention promoters (and provides a form for complaints) and then forwards the complaint to the invention promoter. Both the complaint and the response of the invention promoter are publicly available on the USPTO website.

Additionally, the Better Business Bureau can check the background of an invention promoter or developer. Similarly, the Small Business Administration may be of assistance. Finally, for \$25, the USPTO will publish a notice in the *Official Gazette* that a patent is available for licensing or sale.

ETHICS EDGE



DRAFTING ASSIGNMENTS, LICENSES, AND EMPLOYMENT AGREEMENTS

Drafting a patent assignment or license or employment or joint inventors' agreement requires more than merely finding a similar form and filling in the blanks or changing the names of the parties. You must perform research (both factual and legal) and then modify preprinted forms or previously used agreements to comply with the law and to include any matters specific to the particular transaction involved. Because the law and USPTO rules and fees change frequently, using an outmoded form or document from a form file may be malpractice. In addition, proofread carefully to ensure that errors from one document are not imported into another.

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- Abraham Lincoln is the only U.S. president to hold a patent (Patent No. 6,469 for a device buoying vessels over shoals, granted in 1849).
- Someone receives a patent in the United States every three minutes.
- In 2011, Apple agreed to license wireless phone patents from Nokia, reportedly for more than \$600 million.
- Kodak expects to generate \$250–\$350 million in revenue each year through licensing its more than 1,000 patents.
- In 2011, Novell sold 882 of its patents to a group composed of Microsoft, EMC, Oracle, and Apple for \$450 million.
- Many universities share patent-license income with their scholar-inventors. For example, after Rice University recovers all of its costs involved with development of an invention, the inventor (a university employee) will receive 37.5 percent of income produced from the licensed patent. Other universities share on a sliding scale (for example, paying the university employee 50 percent of the first \$100,000, 40 percent of the next \$100,000, and so forth).

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CHAPTER SUMMARY

Because patents have the attributes of personal property, they may be sold, licensed, or bequeathed by will. A person who conceives of an invention and reduces it to practice is a sole inventor. In many cases, however, more than one person will work on an invention. Those parties may be joint inventors even though they do not contribute equal efforts to the invention and do not physically work together. If a dispute over priority of inventorship arises prior to March 16, 2013, the general rule is that the first to invent is the one who conceived of the invention and first reduced it to practice, either actually (by building a model or embodiment of the invention) or constructively (by filing a patent application for the invention). After March 16, 2013, disputes over inventorship will likely diminish because patent rights will be awarded to the first to file the application for the invention. Notebooks describing work done by inventors often assist in determining priority and inventorship disputes.

Generally, inventions made by employees (who are not subject to agreements granting rights to employers) are owned by employees, subject, however, to a

“shop right,” namely a nonexclusive royalty-free license in favor of the employer to use the invention. In most instances, however, employers require employees to enter into agreements assigning any inventions and rights therein to the employer. Effective September 16, 2012, assignees may file patent applications directly. Even without a written agreement, if an employee is hired specifically to create a certain work, the employer will own the resulting work.

As items of personal property, patents may be assigned or sold to others, as long as the instrument is in writing. Recordation with the USPTO is not required for an assignment to be valid but is recommended. Patents may also be licensed by agreements granting another the right to use, make, or sell the invention for a specified period or in a specified territory in return for which the licensee will give consideration (usually in the form of periodic royalty payments) to the licensor. Patents may also be used to secure obligations so that in the event of a default by the patent owner, the secured party may seize the patent and exercise all rights of ownership. The USPTO provides numerous resources for independent inventors to protect them from unscrupulous invention promoters.

CASE ILLUSTRATION

SHOP RIGHTS

- Case:** *McElmurry v. Arkansas Power & Light Co.*, 995 F.2d 1576 (Fed. Cir. 1993)
- Facts:** A patent owner brought an action for patent infringement against a power company for using his patented device and for contracting with another company to install the patented device at its power plants. The power company had hired the plaintiff as a contractor to assist it in developing a new level detector system to detect the level of ash particles in its “hoppers.” The district court held there was no infringement because the power company had acquired a shop right in the patented device.
- Holding:** Affirmed. The fact that the inventor/patentee was an independent contractor rather than an employee is not critical. The shop right rule is not limited to employer-employee relationships. In this case, the “employee” developed the patented device while working at the power company, he consented and participated in installing the device in various installations for the company, and the company paid all costs and expenses associated with implementing the device. In such a case, the power company thus had a “shop right” to use and reproduce the device in its business without charge or liability for infringement.

CASE STUDY AND ACTIVITIES

Case Study: Holiday's employees, Sophie Harris and Tom O'Brien, have been working on inventing a more efficient folding bed for Holiday's ship cabins. Harris lives in Miami and O'Brien lives in Boston. The two frequently talk and use Skype to show each other plans and prototypes, although it is clear that Harris has done approximately 70 percent of all work on the project, which has now culminated in a new bed.

Activities: Discuss all ownership issues relating to the invention and any application therefor.

ROLE OF PARALEGAL

Paralegals typically engage in the following activities related to ownership of patents:

- Monitoring the progress of patent prosecution and the addition and deletion of claims to ensure inventorship is accurate for all claims;
- Reviewing issued patents to confirm all inventors are correctly identified;
- Assisting in drafting clauses for employment or other contracts confirming that inventions developed by employees will be owned by and assigned to employers or the commissioning party and that the assignee may file the patent application therefor (after September 16, 2012);
- Reviewing the *Official Gazette* to determine whether clients should be informed of patents offered for sale or license;
- Assisting in drafting assignments and security agreements relating to patents and recording same with the USPTO and assisting in drafting licenses of patent rights;
- Checking the chain of title of records at the USPTO to determine ownership of patents; and
- Checking the reputation of invention promotion firms and preparing complaints against promotion firms.

INTERNET RESOURCES

Federal laws relating to patents:	http://www.law.cornell.edu http://www.gpo.gov/fdsys
U.S. Patent and Trademark Office:	http://www.uspto.gov (forms are provided for statements by assignees and for recording assignments)
Manual of Patent Examining Procedure:	http://www.uspto.gov (access MPEP Chapter 300 for information about assignments and Chapters 200 and 400 for information about joint inventors)
USPTO's Inventor Resources Web page:	http://www.uspto.gov/inventors/index.jsp (links to complaint forms and brochures on invention scam prevention)
General information:	http://ipmall.info (Pierce Law's IP Mall with excellent information and articles and links to other IP sources)

<http://www.findlaw.com>
<http://www.megalaw.com>

Forms: <http://www.allaboutforms.com> (forms for patent assignments and licenses)

DISCUSSION QUESTIONS

1. Alex has been working on inventing a new type of dog leash for nearly two years. Last month, his friend Andrew looked at the leash and made a suggestion to Alex about the leash that Alex then adopted. Alex filed a patent application for the leash, and Andrew is now claiming he is a co-inventor. Discuss whether Andrew and Alex are joint inventors.
2. Kyle and Kevin are joint inventors of a new type of bicycle gear for which the patent was granted last year. Kyle would like to license the invention but Kevin is opposed to licensing. May Kyle license the invention without Kevin's permission? Discuss.
3. ABC Inc. hired David to invent a new helmet for motorcyclists. During the time of his employment with ABC, David, while working at home, invented a new reflector for highways and other roads. Discuss who owns each invention and who will be the applicant for any patent for each invention.
4. Julia assigned the patent application for her invention to Ann. Must the assignment be recorded with the USPTO to be valid? Should the assignment be recorded? Discuss.
5. Ann, a patentee, would like to borrow money from Bank of America. The bank is refusing to lend Ann money unless she will pledge some asset as collateral for the loan. What might Ann do to induce the bank to lend her money?

USING INTERNET RESOURCES

1. Access the USPTO's Assignment Database. Review the information recorded at Reel/Frame 008939/0006. Who were the original inventors? Who is the assignee? What is the patent application filing date, and what date was the assignment executed? Does the assignee still own this patent?
2. What is the fee to record a patent assignment and a security interest in a patent?
3. Search the USPTO website and search for "Inventors Resources." Select "Complaints." Review the complaint filed by "McDaniel" in March 2010. Who was the complaint filed against, and how much money was paid by McDaniel to the invention promoter?
4. Access the USPTO website and select the *Official Gazette*. Review the *Official Gazette* notices for July 12, 2011. Review "Patents and Serial Numbers Available for License or Sale." What is the first patent listed?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 20

Patent Infringement

CHAPTER OVERVIEW

Any person who, without authority, makes, uses, offers to sell, sells, or imports any patented invention infringes the patent. Innocence is not a defense to a claim of direct infringement, although it may serve to ensure punitive damages are not assessed. A person can also be liable for encouraging or inducing infringement or for contributory infringement by selling a component of a patented invention knowing it will be used to infringe a patent.

In determining whether infringement has occurred, the infringing device will be compared against the claims of a patent. If the accused invention falls within the language used in a patent claim, infringement is literal. Even if the accused invention differs from the claims in some way, it may still infringe under the doctrine of equivalents if there is equivalence between the elements of the accused product and the claimed elements of the invention, looking at whether the accused equivalent element performs substantially the same function in substantially the same way to reach substantially the same result as the claim in the patented invention. A patentee is bound by the prosecution history of the patent process and cannot assert a position inconsistent with one taken during prosecution of the patent. In an infringement action, a defendant can raise a variety of defenses, including asserting there was no infringement, that the patent is invalid or was procured by fraud, that the patentee

has misused the patent to abuse his or her position, laches, estoppel, or that the alleged infringer is using the invention solely for research purposes. If infringement is found, a court may order injunctive relief, compensatory damages in an amount necessary to compensate the patentee for injury, costs, interest, and, if objective recklessness is shown, punitive damages up to three times the amount of compensatory damages and attorneys' fees. If parties cannot resolve infringement disputes amicably, litigation takes place in federal district court and is governed by the Federal Rules of Civil Procedure.

DIRECT INFRINGEMENT, INDUCEMENT TO INFRINGE, AND CONTRIBUTORY INFRINGEMENT

Direct Infringement

A patent issued by the USPTO does not grant a party any right to make, use, offer to sell, sell, or import an invention but rather *excludes* others from engaging in such acts. Under the Patent Act, any person who, without authority, makes, uses, offers to sell, or sells any patented invention within the United States or imports into the United States any patented invention during the term of its patent, infringes the patent (35 U.S.C. § 271(a)). A patent is effective and enforceable only after it is issued. Thus, making, using, selling, or importing devices prior to the time of a patent's issuance do not constitute acts of infringement. Nevertheless, recall from Chapter 18 that under the American Inventors Protection Act (AIPA) of 1999, patentees may obtain reasonable royalties if others make, use, sell, or import their invention during the period between publication of their patent application (18 months after filing of most applications) and grant of the patent.

Liability for patent infringement may arise from one's acts in making, using, or selling the patented

invention, referred to as **direct infringement**, or from encouraging or inducing another to infringe, often referred to as **indirect infringement**. One critical distinction between the two is that liability can be imposed for direct infringement without regard to the infringer's intent; however, liability for indirect infringement requires that the defendant know that infringement will occur because of his or her conduct. Thus, one can be liable for direct infringement even if one does not know of the existence of the patent infringed.

Direct infringement occurs when a person violates 35 U.S.C. § 271(a) by making, using, selling, offering to sell, or importing the patented invention without the patent owner's permission. Note the use of the word *or* in the statutory language. Thus, a person may directly infringe another's patent if he or she makes the device without doing any further act, such as selling it. Similarly, merely using the patented invention without authority is an act of infringement even if the infringer did not make the device. Although the language of the statute is broad, there are several activities that do not constitute direct infringement.

THE FIRST SALE DOCTRINE

Under the **first sale doctrine** (also called the **exhaustion doctrine**), once the patent owner unconditionally sells a patented item, the buyer has the right to sell it or use it as desired. It is said that the first sale of the invention "exhausts" the patentee's rights to control the purchaser's use of the device thereafter. Thus, if you buy a patented espresso machine, you may use it as you see fit, resell it at a garage sale, or give it to a friend. The theory underlying the first sale doctrine is that when a patent owner sells an invention without any restrictions, he or she impliedly promises the buyer that the buyer may fully enjoy the invention. Of course, if the patentee imposes restrictions, conditions, or limitations on

the sale (e.g., instructing a buyer that the patented invention may only be resold at a minimum price), then the buyer must comply with these agreed-upon terms. Similarly, the first sale doctrine does not apply if there is a license of the patented item rather than an unconditional sale. Recall that the first sale doctrine is also applicable to trademarks and copyrights (see Chapters 6 and 11, respectively).

Repair and Reconstruction

An adjunct of the rule that a buyer has a right to use the patented invention under the first sale doctrine is that the buyer has the right to repair the patented invention in order to prolong its use. Courts, however, draw a distinction between repair of a patented invention, which is permissible, and reconstruction of it, which is impermissible infringement. Courts often view purchasers of patented products as having been granted an implied license by the patentee to use the product, which use includes repair or replacement of its parts. While an owner of a patented invention thus has the right to repair and restore the article, activities that amount to rebuilding it such that the invention is being made anew are infringements. For example, if a party lawfully acquires a patented television, replacing components or reconditioning it is acceptable as a repair of the invention so long as the complete invention is not reconstructed.

IMPORTS AND SECTION 337 INVESTIGATIONS

Under 35 U.S.C. § 271(a), the patent owner has the exclusive right to exclude others from importing the patented invention into the United States. In brief, one cannot import into the United States, or sell, offer to sell, or use in the United States, a product made abroad by a process patented in the United States. Thus, a company cannot use a patented

process abroad to make a product and then bring that product into the United States to compete with the patent owner. Although using the process abroad is not an infringement (because rights granted by a U.S. patent extend only throughout the territory of the United States and have no effect in a foreign country), subsequent importation of an article produced by a process patented in the United States is an infringement.

As an alternative to suing for patent infringement in the United States for another's act of importing the patented invention (and identical to the approach a trademark or copyright owner may take; see Chapters 6 and 14, respectively), a patent owner may bring a proceeding before the International Trade Commission (ITC) to block the infringing device from entry into the United States. Under Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337), the ITC conducts investigations into allegations of unfair practices in import trade, including patent infringements. After a party files a complaint with the ITC alleging an act of patent infringement, the ITC examines the complaint and determines whether a **Section 337 investigation** should be conducted. Recall that a Section 337 investigation is somewhat similar to a trial in that motions will be made, discovery will occur, parties will testify, and an evidentiary hearing will be held. An administrative law judge will render an initial determination as to whether Section 337 has been violated. The ITC then may affirm, reverse, or modify this initial determination.

If Section 337 has been violated, the ITC may issue an **exclusion order**, which bars the products from entry into the United States (which order is enforced by the U.S. Customs and Border Protection) and/or may issue a cease and desist order, which directs violators to cease certain actions. An award of money damages is not available as a remedy for violation of Section 337.

In recent years, Section 337 investigations have become increasingly popular with patent holders,

primarily because of the strong remedies the ITC can order and because the proceedings are far less expensive and more expeditious than infringement trials in U.S. courts. Decisions may be appealed to the Court of Appeals for the Federal Circuit.

INDIRECT INFRINGEMENT

A person may be liable for patent infringement even if he or she never makes, uses, or sells the patented invention; liability may rest upon acts of encouraging others to infringe. Such acts are often referred to as indirect infringement. Indirect infringement is covered by two separate subdivisions of the Patent Act:

- Under 35 U.S.C. § 271(b), whoever actively induces infringement of a patent shall be liable as an infringer.
- Under 35 U.S.C. § 271(c), whoever offers to sell or sells within the United States a nonstaple component of a patented invention, knowing it to be especially made or adapted for use in infringement of a patent, shall be liable for contributory patent infringement.

In order for one to be liable as an indirect infringer, there must first exist liability for direct infringement. Without direct infringement by one party, there can be no indirect infringement by another. Moreover, to be liable, a defendant must know that infringement will occur because of his or her inducement or contribution.

Inducement of Infringement under Section 271(b)

If a person actively and intentionally encourages a third party to infringe a patent, and the patent is so infringed, the person who solicited the infringement will be liable for **inducement of infringement**. For example, selling a product with

instructions on how to use the product in a manner that would infringe is inducement of infringement in violation of 35 U.S.C. 271(b). Similarly, if a corporation encourages and assists an employee in making another's patented invention, the corporation (together with any officer or director who induced the act) will be liable for infringement. Some experts refer to inducement as activity that aids and abets infringement, analogous to aiding and abetting a crime.

Although Section 271(b) does not expressly require that the inducer know that he or she is encouraging infringing activity, courts have required that the plaintiff prove that the defendant had actual intent to cause the acts that constitute infringement. Thus, the defendant's acts must be intentional and purposeful rather than merely inadvertent.

Contributory Infringement under Section 271(c)

If a person offers to sell or sells within the United States (or imports into the United States) a component of a patented invention, or material for use in practicing a patented process, and the component has no substantial use apart from use in the patented invention or process, knowing the same to be especially made or adapted for use in an infringement of such patent, he or she will be liable for **contributory infringement** under 35 U.S.C. § 271(c).

Selling some common or staple article that can be used for purposes other than in the invention does not constitute contributory infringement. For example, if a patented invention uses a common type of wire, a person who supplies the wire to the accused infringer cannot be liable for contributory infringement because the wire is a "staple" that has numerous uses other than in the invention. The item sold must be a material component or especially suited as a component of the patented invention for contributory infringement to exist.

In many instances, contributory infringement cases involve disputes regarding permissible repair and impermissible reconstruction. For instance, in *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961), the patent owner's patent was for a top for convertible cars, consisting of a metal frame and fabric. Consumers discovered that the fabric tops wore out much more quickly than the cars did and began ordering replacement fabric tops from the defendant. The patent owner sued the defendant supplier for contributory infringement. The Court held the car owners had a right to repair the cars and that replacement of the fabric top was not an impermissible reconstruction. Because the consumers were not direct infringers, the defendant (who supplied the replacement tops) could not be a contributory infringer.

INFRINGEMENT ABROAD

Acts committed abroad have posed special problems in infringement cases. For example, suppose that Pete owns a U.S. patent for a digital camera. Now suppose that Irv gathers together all of the component parts of Pete's camera and ships them to France to be assembled back into a workable camera. Has Irv infringed the patent? In *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), the Supreme Court held that exporting unassembled components of a patented invention for assembly and use abroad was not infringement because the acts of finally assembling the invention had not occurred in the United States. To close this loophole in infringement law, Congress added Section 271(f) to the Patent Act to clarify that one who exports all or a substantial portion of the unassembled components or a non-staple component of a patented invention in such a manner as to actively induce the combination of the components outside the United States in a way that would infringe the patent if such acts were done within the United States is liable for infringement.

Thus, Section 271(f) parallels Sections 271(b) and (c); acts that would constitute infringement in the United States under Sections 271(b) and (c) also constitute infringement under Section 271(f) if done abroad.

A recent U.S. Supreme Court ruling clarified *Deepsouth* by holding that abstract software code shipped by Microsoft to foreign manufacturers in the form of master disks was analogous to a blueprint and not a tangible "component" of the invention, and thus Microsoft would not be liable for patent infringement that occurs when copies of the software were made and installed on computers abroad. The master disk Microsoft sent from the United States was never installed on any of the foreign-made computers; foreign manufacturers rather used the disks to make copies, which were installed on the foreign-made computers. Because the master disk was never installed and because it was not a "component," the law prohibiting the exportation of patented "components" was thus not violated. *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007). After *Microsoft*, most experts believe that prototypes, templates, and intangible "blueprints" must thus be combined abroad with something physical (namely, the "component") in order to infringe.

CLAIMS INTERPRETATION

The claims in a patent determine its exclusive rights. The skill required in claims drafting comes into play both before and after a patent is issued. Drafting a claim in a patent application is done to demonstrate patentability of an invention by distinguishing the invention from prior art. If the inventor later believes the invention is being infringed, the claims are again examined for determining whether such infringement has occurred. Thus, determining infringement requires interpreting the claims language in the patent and then comparing and contrasting the allegedly infringing article against those claims.

Literal Infringement and the Doctrine of Equivalents

If the accused invention, device, or process falls within the language used in a patent claim, there is **literal infringement** because the accused invention is the same as that protected by the grant of patent. A patent owner need not prove that every claim in a patent is infringed (remember that most patents include several claims). It is sufficient to prove that only one claim of the patent has been infringed.

Each element of the claim must be present in the accused device for literal infringement to exist. If the claim includes elements or steps that are not present in the accused device, there is no literal infringement. Thus, if Claim 1 in a patent is for a widget consisting of elements A, B, C, and D, and the accused device consists of elements A, B, and C, there is no literal infringement because the specified element D is not present in the accused device. For literal infringement to exist, the accused device must infringe all elements of the claim.

In some cases, a party has made some change to a patented invention, for example, substituting one element known to be an equivalent to that used in the patented invention. Because such a change would not constitute a literal infringement inasmuch as a claim has not been exactly copied, courts developed the **doctrine of equivalents** to protect the patented invention from misappropriation and ensure that a fraud is not committed on a patent. Thus, even if the accused device does not literally infringe upon the patent, it may nevertheless be found to infringe if there is equivalence between its elements and the claimed elements of the invention. The critical question is as follows: Does the accused device contain elements identical to or equivalent to each claimed element of the patented invention? If so, it will be found to infringe.

Most courts use a “triple identity test” for determining equivalency and ask whether the accused

equivalent performs substantially the same function in substantially the same way to reach substantially the same result as the limitation in the patent claim. If so, the two inventions are the same even though they may differ in name, form, or shape, and the second invention will be held to infringe the patent. *See Warner Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997). Other courts focus on the substantiality of the differences between the two devices; an accused element is equivalent to a claim limitation if the only differences between the two are insubstantial. Thus, if the differences are not found to be insubstantial, there is infringement. Thus, a minor and obvious improvement on a patented invention can be an infringement. The doctrine of equivalents thus protects inventors by ensuring that latecomers do not profit by making an insubstantial alteration to a patented invention.

For a device to infringe under the doctrine of equivalents, it must have an equivalent of each element of the patented invention. Thus, if one element of a claim in the patented invention is not present in or has no equivalent in the accused invention, there is no infringement, even if the accused device as a whole performs substantially the same function in substantially the same manner as the patented invention. Every limitation of a claim must be met literally or by a substantial equivalent; merely showing that the two devices are equivalent overall is not sufficient to establish infringement.

The doctrine of equivalents reflects the tension between two competing policies. Although claims should be drafted clearly and interpreted somewhat strictly so that the patentee is not given a broader scope of protection than that set forth in the patent itself, a patentee's efforts and invention should not be allowed to be circumvented by another person who makes some minor change in the invention or process.

Determining equivalency is a difficult task and generally depends upon the facts of each particular case rather than any set formula or rules. Moreover,

the range of equivalents varies according to the significance of the patented invention: A **pioneer patent** (one that is an important advance or significant breakthrough in the art) is usually given a wide range of equivalents so that protection is broader; if the accused invention is generally equivalent to the patented invention's claims, it infringes. Similarly, a patented invention that represents a marked improvement over prior art is given a wide range of equivalents. Conversely, a patented invention that is only a modest improvement is given a limited range of equivalents; the accused invention must be convincingly equivalent to the patented invention for infringement to be found. In sum, a pioneer patent is entitled to broader protection than a patent that merely improves on that which is already known. This theory is somewhat comparable to the one used in trademark infringement cases that holds that distinct and unique trademarks such as XEROX® or EXXON® are given a broader scope of protection than weak or descriptive ones such as TASTEE BITES.

Reverse Doctrine of Equivalents

An accused device may fall within a claim's literal language and yet not infringe if it is so changed in principle from the patented article that it performs the same or similar function as the patented invention but in a completely different way. *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605 (1950). Known as the **reverse doctrine of equivalents**, this theory holds that despite literal infringement of claims, if the resulting device is different from the patented device, there is no infringement. The reverse doctrine of equivalents is not commonly encountered.

Prosecution History Estoppel

During the patent application process, the inventor or applicant may amend his or her claims and make various arguments to the examiner relating to the

claims in the application. In the course of the patent prosecution, the applicant may omit certain claims or narrow them to avoid rejection on the basis they are precluded by prior art. The inventor/patentee is bound by this prosecution history in a later action alleging infringement under the doctrine of equivalents and is estopped from alleging that the claim was intended to be broader or asserting a position inconsistent with one taken earlier.

The principle is inapplicable to literal infringement cases inasmuch as literal infringement exists when the accused invention copies the actual claims in an issued patent; what occurred during the course of prosecution is thus not relevant. For example, during the application process, and in order to satisfy an examiner's objection, a patent applicant may narrow a claim. Once the claim is narrowed to be more specific, any invention that falls within the scope of the initial claims (but not the amended ones) does not infringe. The principle rests on the theory that a patent owner cannot narrow the scope of a claim and exclude certain subject matter in order to obtain a patent and then later recapture the excluded subject matter using the doctrine of equivalents. While the patentee has the right to appeal an examiner's rejection of his claims, a decision not to appeal and submit an amended or narrowed claim is viewed as a concession that the invention as patented does not reach as far as the original claim.

The doctrine, variously called **prosecution history estoppel** or **file wrapper estoppel**, applies not only to prosecution of the original patent but also to reissue and reexamination proceedings. Underlying the doctrine is the principle that an applicant who disagrees with an examiner's position should appeal. The applicant is the one who drafts the claims, submits arguments, and makes amendments and should therefore be bound by his or her own actions, even if it is later determined that the examiner's position was incorrect.

The *Festo* Case

In late 2000, the U.S. Court of Appeals for the Federal Circuit sent shock waves through the patent community when it held that *any* narrowing amendment to claims made by a patent applicant during the patent prosecution process effected a complete bar to the doctrine of equivalents for the amended claim element. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Kaisha*, 234 F.3d 558 (Fed. Cir. 2000). Thus, applicants who narrowed claims in response to rejections by the USPTO subjected those claims to a complete bar and eliminated the doctrine of equivalents for the amended claim elements. Prior to *Festo*, only the particular subject matter surrendered would be lost through estoppel. After *Festo*, the patentee was limited to the strict scope of the amended claim element with no protection against equivalents.

Festo was appealed to the U.S. Supreme Court, where it continued to attract attention with more than 20 amicus curiae (“friend of the court”) briefs filed. The U.S. Supreme Court vacated the Federal Circuit’s decision in *Festo* and held that a narrowing amendment does not effect a complete bar but instead raises a rebuttable presumption that the complete bar applies. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Kaisha*, 535 U.S. 722 (2002). In fact, the Supreme Court chided the Federal Circuit and reminded it that “courts must be cautious before adopting changes that disrupt the settled expectations of the inventing community.” *Id.* at 739.

The Court held that estoppel need not bar suit against every equivalent to the amended claim element. Rather, prosecution history estoppel must be applied in a more flexible manner, although the patentee should bear the burden of showing that the amendment does not surrender the particular equivalent in question. In brief, a patentee who amends a patent and narrows a claim gives up protection only for those things that were foreseeable

by those skilled in the art covered by the patent. A patentee should not be expected to surrender that which he or she does not know or foresee. Consequently, a patent holder who could not have foreseen that changing the description in a patent application would limit coverage would still be able to sue those making equivalent products.

Patent practitioners have expressed relief at the Supreme Court’s confirmation that the doctrine of equivalents is alive and well (although subject to a rebuttable presumption that estoppel applies and that equivalents have been surrendered), and at least one commentator has stated that *Festo* is likely the most significant U.S. Supreme Court patent case in a generation.

DEFENSES TO INFRINGEMENT

Defendants in infringement actions generally assert one or more of several affirmative defenses. The most commonly asserted defenses are noninfringement, patent invalidity, fraud, patent misuse, experimental or research use, the recently enacted “first inventor defense,” laches, and estoppel.

A defendant may assert that its acts do not constitute infringement, either literally or under the doctrine of equivalents. An accused infringer may also assert that the patent is invalid and thus cannot be infringed. An invalidity defense alleges that the invention fails to meet statutory subject matter, is not novel or useful, or is obvious, such that the patent for the invention should not have been issued by the USPTO. Because issued patents are presumed to be valid under 35 U.S.C. § 282, a defendant asserting invalidity must prove invalidity by clear and convincing evidence. *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238 (2011). A party using an invention under a license from the patentee may assert patent invalidity and is not estopped from raising such a defense even though he or she has agreed in a license

agreement not to contest the validity of the patent, primarily because the policy favoring the negation of invalid patents outweighs contract law policy.

Fraud or inequitable conduct by a patentee during prosecution will render a patent resulting therefrom unenforceable. Such conduct may consist of omissions or material misrepresentations during the patent application process. This fraud usually takes the form of a failure to disclose prior art during the patent prosecution with intent to deceive. Recall that patent applicants owe a duty of candor to the USPTO in connection with their patent applications. A violation of this duty may render the patent entirely unenforceable if there is clear and convincing evidence of a deliberate intent to deceive by withholding material information. Mere negligence does not satisfy the intent requirement. Moreover, the accused infringer must show that “but for” the omission, the patent would not have been issued. *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011). *Therasense* will likely reduce the amount of marginally relevant prior art disclosed to the USPTO and reduce the number of cases in which inequitable conduct is alleged. (The court noted that approximately 80 percent of all accused patent infringers allege inequitable conduct, the “atomic bomb” that would render a patent invalid.)

Another blow to the inequitable conduct defense arises under the Leahy-Smith America Invents Act (AIA), which allows for supplemental examinations of patents. Effective September 16, 2012, patent owners may request a supplemental examination of their own patents to cleanse or cure their own errors or omissions during their patent’s examination process (other than fraudulent acts). The new law provides that a patent shall not be held unenforceable based on information considered, reconsidered, or corrected in a supplemental examination. Thus, if the patent owner affirmatively discloses information in a supplemental examination, such effectively

inoculates the patent from a later assertion that the patent is unenforceable because of the patent owner’s inequitable conduct during prosecution.

An accused infringer may assert **patent misuse**, namely, that the patent owner has abused his or her position to exploit a patent improperly and thus should be precluded from suing for infringement. Common examples of patent misuse include price fixing, tying arrangements (generally, tying or conditioning the sale or license of a patented item to the sale of another item, unless it is a nonstaple item, meaning an item that has no significant commercial use except in connection with the patented invention or process), and other antitrust violations. Other examples of patent misuse that will preclude a patentee from suing for infringement are threatening or initiating patent infringement suits without probable cause or attempting to extend a patent beyond its term by requiring a licensee to pay license fees even after expiration of a patent.

Under the AIA, and effective September 16, 2011, the failure by an inventor to disclose the best mode of making the invention can no longer be a basis for holding a patent invalid or unenforceable. 35 U.S.C. § 282. Nevertheless, as discussed in Chapter 18, patent applicants are still required to set forth the best mode of making their invention in their applications.

A person accused of infringement may assert that unauthorized making or using of a patented invention was solely for amusement, philosophical inquiry, research, or experimental purposes. Similarly, a single experimental use of a patented invention is usually deemed *de minimis* and not infringement. Making or using the patented invention for commercial purposes will defeat this defense.

As will be discussed further in Chapter 21, under the AIPA, in actions involving business methods patents, an accused infringer may assert a defense called the **first inventor defense**, that he or she had, in good faith, actually reduced the subject matter of the patent

to practice at least one year before the effective filing date of the patent and commercially used the subject matter before the effective filing date.

The AIA amended and expanded this first inventor defense to apply to all patented inventions, not merely business method patents. Thus, if an accused infringer can prove a good faith commercial use of *any* infringing device in the United States more than one year before the earlier of the filing date of the claimed invention or the date the subject matter of the patent was publicly disclosed by the inventor, such will be a complete defense to a claim of patent infringement. The defense may be asserted with regard to any patent issued on or after September 16, 2011. 35 U.S.C. § 273.

Although there is no statute of limitations in the Patent Act requiring that suits for infringement be instituted within any set time period, 35 U.S.C. § 286 provides that no monetary recovery may be had for any infringement committed more than six years prior to the filing of a claim of infringement. Although action may be initiated for infringement after six years (perhaps to enjoin further acts of infringement), monetary damages cannot be awarded for infringing acts committed more than six years before litigation is begun.

Even if the patentee initiates suit within six years after infringement, an action may still be barred by the doctrines of laches or estoppel. Laches is an unreasonable delay in bringing suit that causes prejudice to the defendant. A laches defense might be successfully asserted if a patentee knew of infringement and his delay in acting allowed the infringer to build up her business, market her accused device, and expend time and money expanding her business.

An estoppel defense might be successfully asserted if a patentee knew of infringement and yet led the infringer to believe he would not enforce the patent. Mere silence will not amount to estoppel. In the typical case, a patentee who informs an infringer that he or she objects to the infringer's activities

and then fails to take action, leading the infringer to believe the patentee has decided not to enforce his or her patent rights, may be estopped or precluded from asserting infringement.

Some specific acts do not constitute infringement. For example, 35 U.S.C. § 271(e) allows persons to make, use, offer to sell, and sell certain patented inventions for the purpose of submitting information to federal regulatory agencies such as the FDA. Thus, using certain patented inventions to perform experiments in order to obtain FDA approval of certain drugs is permissible. This exception (sometimes called the “clinical trial exception”) allows individuals and companies to position themselves to enter the market as soon as a patent expires for a product. For example, the maker of a drug can engage in acts that would ordinarily be infringement in order to obtain regulatory approval of the drug so the maker can compete with the patented product as soon as the term of the patent expires. Similarly, use of another's patented biotech invention is not an infringement if the use is strictly for research purposes. Likewise, medical practitioners may perform certain medical activities (such as the performance of medical or surgical procedures), and these do not constitute infringement as long as the performance has no commercial application.

REMEDIES FOR INFRINGEMENT

A plaintiff who is successful in a suit for patent infringement may obtain injunctive relief, monetary damages, interest, costs of litigation, and, possibly, triple damages and attorneys' fees.

- ***Injunctive relief.*** In many instances, a patentee is as interested in ensuring that infringing activities cease as in recovering damages. A court may grant a preliminary injunction pending the final judgment in the case upon a showing that the patentee is reasonably likely to prevail in the

action, that irreparable harm would result to the patentee unless an injunction were granted and that monetary damages would be inadequate to compensate for that injury, that the balance of hardships tips in favor of the patentee, and that the public interest would not be disserved by an injunction. For years, once courts determined that patent infringement had occurred, injunctions were ordered nearly automatically. In a groundbreaking recent case, *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), the U.S. Supreme Court noted that the Patent Act expressly provides that injunctions *may* issue in appropriate cases and that injunctions should not automatically follow a determination of infringement. To obtain a permanent injunction, patent holders must satisfy the traditional four-part test discussed earlier. This ruling is being heralded as a significant blow to patent trolls (discussed below) who have been able to extort settlements from others by using the threat of injunctive relief.

- **Compensatory damages.** The Patent Act provides that upon finding infringement, a court shall award a claimant damages adequate to compensate for infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with an award of interest and costs. 35 U.S.C. § 284. If a patentee can prove actual damages, such as lost profits, those damages will be awarded. Lost profits will be awarded if the plaintiff can prove that *but for* the infringement, it would have made the sales that were made by the infringer. If such damages are highly speculative or cannot be proven because the infringer has only made rather than sold the invention, courts will then use the reasonable royalty rate as the measure of damages. Amounts paid as royalties by authorized licensees using the invention or other comparable inventions will be used to

determine the rate to be paid by the infringer. Under 35 U.S.C. § 287, if a patented product is not marked with a notice of patent, no damages may be recovered by the patentee in an infringement action, unless there is proof that the infringer was notified of the infringement and continued to infringe thereafter, in which case damages are recoverable only for infringement occurring after notice. Filing an action for infringement constitutes notice as does an actual communication or letter by the patentee to the infringer if the patentee and the patent are clearly identified. The patentee should thus always mark the invention with a notice of patent (or use the new virtual marking provisions of the AIA) so he or she may recover damages from the time the patent is first infringed. To compensate a patentee fully, prejudgment interest is usually awarded, meaning interest from the date of actual infringement rather than from the date of judgment is entered by the court. Costs of litigation are awarded to a successful patentee. However, if the patent includes an invalid claim together with a valid claim, no costs may be recovered unless a disclaimer of the invalid claim is entered with the USPTO before suit for infringement is commenced. Two fairly new types of damages are often sought: damages for price erosion (damages incurred by a patentee forced to lower its prices to meet competition by the infringer) and collateral sales damages (damages on sales of items that are used with the patented item when the patented item forms the basis for consumer demand, for example, recovering damages for lost sales of remote controls when a patented television has been infringed). Because these damages are based on the entire market value of the product (rather than just the market value of the infringed item), they are sometimes awarded under a rule called the “entire market value

rule.” Proposals for patent reform have called for limiting damages to the value of the infringed technology itself. The final version of the AIA did not include this hotly contested proposal.

- **Punitive damages and advice of counsel.** Under 35 U.S.C. § 284, courts are authorized to increase compensatory damages up to three times the amount assessed. An award of such **punitive damages** (those meant to punish the defendant rather than compensate the plaintiff) is made only upon a showing of willful infringement or bad faith by the defendant. Proof of willful infringement that would permit enhanced damages requires at least a showing of objective recklessness. Accordingly, a patentee must show by clear and convincing evidence that the defendant acted to infringe despite an objectively high likelihood that its actions constituted infringement. The infringer’s state of mind is irrelevant. The patentee must then establish that the facts that would satisfy the standard of recklessness were known or should have been known to the alleged infringer. *In re Seagate Tech. LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

Although there is no affirmative duty to obtain advice of counsel with regard to whether one’s actions might constitute infringement, relying on counsel’s advice is an important factor in determining willfulness. *Id.* at 1369–71. Thus, if the infringer has obtained counsel’s advice that a patent is invalid or that defenses exist to a claim of patent infringement, such advice may be used to defend against a claim of willful infringement or bad faith although other factors will also be considered (such as whether there was deliberate copying). Bad faith infringement might occur when an infringer knowingly duplicates a patented invention or obtains a sham opinion of counsel only for the purpose of using it as a shield against a later charge of willful

infringement. Such conduct might justify the imposition of punitive damages. Thus, obtaining an infringement opinion (see Chapter 18) is critical because it may assist in protecting an infringer from punitive damages by showing a lack of recklessness. After *Seagate*, it will be more difficult for patentees to obtain punitive damages because it will be harder for them to prove willfulness.

There is, however, some risk in obtaining and relying on advice of counsel as a defense to a charge of willful infringement: Relying on the advice of one’s patent opinion counsel triggers a waiver of the attorney-client privilege and work-product protection for all communications on that same subject matter (although the waiver will not ordinarily extend to communications with *trial* counsel). *Id.* at 1370. (See Case Illustration.)

In fact, *Seagate* was codified in the new AIA, which expressly provides that the failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice in court, may not be used to prove that the accused infringer willfully infringed the patent or intended to induce infringement. 35 U.S.C. § 298.

- **Attorneys’ fees.** A court may award reasonable attorneys’ fees to the prevailing party “in exceptional cases.” 35 U.S.C. § 285. If the patentee is the prevailing party, attorneys’ fees might be awarded when the infringer’s conduct is willful or in bad faith. If the accused infringer is the prevailing party, he or she may be able to recover attorneys’ fees if the patentee instituted or continued the litigation in bad faith or was guilty of inequitable conduct, either in procuring the patent or in the course of litigation. Attorneys’ fees awarded in some cases have reached \$1 million.

- **Design patents.** In addition to the usual remedies available for infringement, one whose design patent has been infringed is entitled to recover all of the total profit of the infringer (but not less than \$250). 35 U.S.C. § 289.

RESOLVING AN INFRINGEMENT DISPUTE

Lawsuits for patent infringement are among the most expensive and time-consuming of all litigation cases. Not only must the acts of the defendant be evaluated, but also the entire file wrapper and prosecution history of the patent are open for examination. Moreover, because the subject matter of most patents is highly technical, experts and professionals must be retained for claim interpretation. If infringement is found, damages can run into the millions of dollars. For example, one case relating to a Hughes Aircraft Company patent for satellites produced 16 separate decisions, took more than 25 years to resolve, and resulted in an award of more than \$100 million. Thus, many parties try to resolve patent disputes between themselves either before or during the pendency of litigation.

Typically, a party who believes its patent is being infringed will send a “cease and desist” or demand letter to the accused infringer, notifying the infringer of its rights to the patent and demanding that any further infringing activities cease or inviting the accused infringer to enter into discussions with the patent owner. (The sample cease and desist letter shown in Chapter 6, Exhibit 6–4, may be easily modified for purposes of patent infringement.)

There is some risk to the patent holder in sending a cease and desist letter. In some instances, upon receiving the cease and desist letter, the recipient may immediately file a declaratory judgment action in the district court in the locality in which he or she is located. A declaratory judgment action is initiated

when parties have an actual controversy over some matter and ask the court to declare their rights and obligations. If the declaratory judgment action is initiated, the patent owner will now be forced to assert his or her patent claims in a venue he or she would not have selected and that may be inconvenient for him or her.

A demand letter should be carefully crafted to avoid triggering a declaratory judgment action. Such a carefully worded letter will not affirmatively allege that infringement is occurring but rather simply identify the patent and invite the recipient to discuss the matter or perhaps enter into licensing negotiations with the patent owner. Courts have held that if a cease and desist letter causes the recipient to have a “reasonable apprehension” that it will be sued for infringement, the recipient will have a legitimate right to file an action for a declaratory judgment. Additionally, there is a risk that the party receiving the letter may contest the validity of the patent and prevail.

Thus, in many instances, the tone of a cease and desist letter is highly civilized, and the letter may contain no overt or subtle threats of litigation, leading an unsophisticated recipient to believe that there is no urgency in responding to the letter. The worst thing a recipient of any such letter can do is ignore it because continuing infringement after actual notice of a patent owner’s rights may give rise to a finding of willful infringement and resulting punitive damages.

Even if the demand letter does not achieve the goal of convincing the infringer to cease his or her activities, it provides actual notice of the patent so that if the patented invention is not marked with a patent notice, the patent owner may recover damages for infringement after the date of letter notice.

The accused infringer often responds to the cease and desist letter by denying its allegations, asserting various defenses, or suggesting a compromise. The parties might agree that the accused infringer should

modify the invention in some way or gradually phase the invention out of use. They may enter into a licensing arrangement whereby the accused infringer pays royalties to the patent owner to be able to make, use, or sell the patented invention. One party might acquire the other's rights by outright purchase. The parties may agree to have an arbitrator resolve the dispute rather than go to federal court. One of the parties may initiate a reexamination or inter partes review or post-grant review proceeding before the USPTO to have the patent reexamined or reviewed to determine the validity of any claim in a patent on the basis of prior art. A determination by the USPTO that a claim is valid (or, conversely, that it is unpatentable) may give the parties some impetus to settle their dispute inasmuch as the determination constitutes another full review of the patent and its validity. As discussed earlier, either party involved in an actual controversy may initiate an action in federal court for declaratory relief, asking a court to review the matter and declare the parties' respective rights and obligations with respect to the patent.

Alternatively, as discussed earlier in this chapter, patent rights may be enforced by the ITC, which will conduct a Section 337 investigation, and which may exclude products that infringe U.S. patents from entering the United States.

PATENT INFRINGEMENT LITIGATION

If the parties cannot resolve their dispute, the plaintiff will likely file an action for infringement in federal district court. Federal courts have exclusive jurisdiction over patent law cases, although if the matter only peripherally relates to a patent (e.g., a case involving whether a patent licensee has paid its license fees under the terms of a written contract), the matter may be heard in state court. Questions relating to validity of the patent and infringement must be initiated in

federal court. Moreover, state regulation of intellectual property must yield to the extent it conflicts with federal patent law. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989).

The action will be governed by the Federal Rules of Civil Procedure relating to federal civil actions generally. These rules set the times for responding to the complaint, matters pertaining to motions and discovery, and any other litigation-related matters. The action should be filed in the federal district court where the defendant resides or where the defendant committed the acts of alleged infringement and has an established place of business.

After the complaint for infringement is filed, the defendant will respond by filing an answer, usually denying that infringement has occurred and asserting various defenses. If the defendant has a cause of action to assert against the plaintiff relating to the patent, it must be asserted by way of a counterclaim in the litigation so that all disputes between the parties relating to the patent can be resolved at the same time. Claims that another induced patent infringement or committed acts of contributory infringement may also be asserted.

Within one month after the filing of an action for patent infringement, the clerk of the court must provide notice of the suit to the USPTO, identifying the parties, name of the inventor, and the patent number of the patent at issue. Similarly, within one month after judgment is entered in the case, the clerk must provide notice thereof to the USPTO, so that records relating to the patent are complete.

After the complaint, answer, and counterclaim have been filed, various motions may be made. Discovery will commence. The plaintiff and defendant will take depositions to obtain testimony from those who may have information about the case. For example, the plaintiff may depose individuals in the defendant's company to determine whether they were instructed to copy the patented invention. Interrogatories may be served on either party to obtain

information, such as to inquire about experts either side intends to call, how damages such as lost profits were calculated, or to determine the existence of pertinent documents, including e-mails and electronic documents.

Ultimately, if the matter cannot be resolved by private agreement, it will proceed to trial. The patent owner must prove infringement by a preponderance of the evidence (although recall that a defendant who challenges the validity of a patent must prove invalidity by clear and convincing evidence). Either party may request a jury trial; otherwise, a judge will render the decision. Although juries determine whether infringement has occurred (a question of fact), the issue of claims construction (a question of law) is determined by the trial judge, not the jury. *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996). The need for uniformity in patent law requires that courts, not juries, interpret patent claims, including terms of art used within those claims. The testimony of witnesses may be received when needed, but per *Markman*, judges, not juries, are “better suited” to find the acquired meaning of patent terms. *Id.* at 388. The parties will file their briefs, often called *Markman* briefs, and the court will usually hold a **Markman hearing** (outside the presence of the jury) to determine the scope of the patent’s claims.

The losing party in a patent infringement case may appeal the decision to the Court of Appeals for the Federal Circuit, established in 1982 in the District of Columbia to bring about consistency in patent cases, which hears all appeals from infringement cases brought in any of the federal district courts. Thereafter, the matter may be appealed to the U.S. Supreme Court if the Court, in its discretion, grants certiorari and decides to take the case.

If the U.S. government has allegedly infringed a patent, action is brought in the U.S. Court of Federal Claims in Washington, DC. Although the patentee is entitled to obtain compensation for use by or for the government, an injunction cannot be ordered

against the government to compel it to cease making, using, or selling the invention. The action is one for compensation rather than for infringement. If a patent is infringed by a state, a patentee may obtain the same remedies (including injunctive relief) as may be obtained against other infringers.

As technology progresses and the value of certain communication, health-related, and entertainment inventions increases, patent litigation is becoming an increasingly common and high-stakes occupation. According to a 2009 study by PricewaterhouseCoopers LLP, patent infringement cases have increased 5.6 percent each year since 1991. Damage awards may run into the millions. For example, in 2008, a jury awarded Dr. Bruce Saffran \$432 million in damages (and another \$111 million in prejudgment interest) arising out of Boston Scientific’s infringement of his drug-eluting stent technology. In what is believed to be the largest patent verdict in U.S. history, in 2007, Microsoft was ordered to pay Alcatel-Lucent \$1.52 billion for infringing digital music patents. After a judge later threw out the verdict, the parties settled their litigation matters (six separate patent lawsuits) for an undisclosed sum.

In a rather distressing recent development, companies and individuals often purchase patents (frequently from bankrupt firms) and then sue or threaten to sue other companies claiming that one of the newly purchased patents has been infringed. Called **patent trolls** (or “non-practicing entities” or “NPEs”), these companies or individuals often do not practice or commercialize the patents themselves, and their sole business is pursuing potential infringers to obtain money through making claims of infringement. Many experts believe that patent trolls are one of the biggest IP challenges corporations currently face. By threatening to obtain an injunction (which would halt or shut down a legitimate business), the trolls have been able to effectively “shake down” many companies. For example,

**ETHICS
EDGE****UNAUTHORIZED
PRACTICE OF LAW**

Paralegals may engage in a broad array of legal tasks and are used more in connection with litigation-related tasks than probably any other task. Following are some permissible and prohibited activities:

Permissible Activities

- Paralegals may communicate with clients (both orally and in writing) so long as clients understand the paralegal's role and position.
- Paralegals may draft pleadings and other litigation-related documents.
- Paralegals may meet with clients.
- Paralegals may assist at trial.

Prohibited Activities

- Paralegals may not give legal advice, set fees, or agree to represent a client.
 - Paralegals may not communicate with adverse parties who are represented by counsel.
 - Paralegals may not sign certain legal documents (e.g., pleadings such as complaints or answers).
 - Paralegals may not negotiate settlements (although they may relay offers and responses to parties and may draft settlement agreements).
-

Intel faced a troll who requested \$8 billion and a permanent injunction after purchasing a patent for \$50,000. The trolling problem has become so significant that Intel's top patent attorney has urged Congress to pass legislation to crack down on the trolls. Patent trolls and legislative action (including the AIA's stricter standards for joining multiple defendants in one action) intended to discourage them are discussed further in Chapter 21.

Some experts have questioned whether juries should decide complex patent infringement cases. Because many patent cases involve questions of chemistry, physics, and biotechnology, courts and attorneys are trying a variety of novel approaches to make cases more understandable to jurors. Some courts have limited the number of hours that a plaintiff or defendant may use to present a case.

Although the role of juries is limited after *Markman*, few experts expect the United States to follow the European model in which juries are not used in patent trials, and infringement is decided by a special patent court consisting of judges and scientific experts. In fact, the 2009 PricewaterhouseCoopers study found that the number of infringement cases decided by juries was 51 percent (with the number of bench trials being 49 percent), with the damages awarded by juries higher than those awarded by judges.

To protect against patent suits, which can be costly to a litigant even when no infringement is found, many companies now procure insurance either to cover the costs of defending a patent infringement suit or for the costs of prosecuting a suit to enforce a patent. Such insurance is extremely

expensive, especially for companies owning several patents or patents in high-tech areas.

Parties may agree in any contract involving a patent that any dispute relating to patent validity or infringement will be arbitrated. 35 U.S.C. § 294. Alternatively, the parties to any existing patent dispute may agree in writing to settle the dispute by arbitration rather than litigation. *Id.* Arbitration is often attractive because it is usually faster and more economical than litigation. Moreover,

the proceedings are confidential, and the parties may select a neutral arbitrator with experience in the relevant technology, rather than gambling the company's existence with an inexperienced lay jury. In an effort to promote arbitration, the American Arbitration Association (AAA) has adopted specialized rules for patent disputes and serves as a forum for out-of-court resolution of such disputes. More information is available at the AAA's website at <http://www.adr.org>.

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- The American Intellectual Property Law Association has reported that the average patent infringement case costs each side more than \$5 million.
- Reasonable royalties are the predominant measure of damages awarded in patent infringement cases.
- Certain federal district courts (notably the Eastern District of Virginia and the Eastern District of Texas) are more favorable to patent holders than to accused infringers and award higher median damages awards than other district courts.
- In 2009, Microsoft was ordered to pay \$200 million in actual damages and \$40 million in enhanced damages for willful infringement of i4i's patent for editing computer documents. The verdict was upheld on appeal, making it the largest patent infringement verdict affirmed on appeal.
- Patent infringement cases increased 20 percent in 2010 over 2009 in the Eastern District of Texas.

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CHAPTER SUMMARY

A patent can be infringed even if the infringer does not intend to infringe and does not know a patented invention exists. Liability for inducing infringement or contributory infringement, however, requires intent.

If parties cannot resolve a patent dispute amicably, litigation will be instituted in federal court. The claims of the patent will be construed, and the accused invention will be compared against the claims to determine if infringement has occurred. If the accused invention falls within the language used in a patent claim,

literal infringement exists. Under the doctrine of equivalents, infringement can also exist if there is equivalence between elements of the accused invention and the claimed elements of the patented invention. The patentee is bound by arguments made and amendments entered during the history of prosecution of the patent and cannot later argue a position inconsistent with one reflected by the USPTO file wrapper.

An accused infringer may assert that there is no infringement, that the patent is invalid, that the patent was procured by fraud, that the patentee is guilty of patent misuse, that the accused device is being used solely for research purposes, or that the patentee is barred by laches or estoppel.

Remedies in infringement actions may include injunctive relief, compensatory damages (but not less than a reasonable royalty for use of the invention), costs, interest, and, if objective recklessness is shown, attorneys' fees and increased damages of up to three times compensatory damages.

CASE ILLUSTRATION

EXTENT OF WAIVER WHEN ACCUSED INFRINGER RELIES ON ADVICE OF COUNSEL

Case: *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007)

Facts: Plaintiffs sued Seagate alleging patent infringement and willfulness. Seagate had obtained opinions from its patent counsel that the plaintiff's patents were invalid. When Seagate was sued, it obtained separate trial counsel. Seagate asserted that it need not provide its trial counsel's opinion in discovery when it asserted that the patents were invalid and thus it had not infringed.

Holding: The Federal Circuit refused to order discovery of trial counsel's opinion and issued three main findings:

- Proof of willful infringement that would justify enhanced damages requires at least a showing of objective recklessness.
- There is no affirmative obligation to obtain advice of counsel.
- Reliance on patent opinion counsel's advice will not typically waive communications with trial counsel or trial counsel's work product (unless there are exceptional circumstances, such as when chicanery is involved).

Note: As discussed in this chapter, the AIA codified *Seagate* in amendments to 35 U.S.C. § 298.

CASE STUDY AND ACTIVITIES

Case Study: Holiday is concerned that it is infringing a competitor's patented product, which consists of elements X, Y, and Z. Holiday's device includes elements Y and Z and element A, which performs the same function as element X. Because of its concerns, Holiday consulted an attorney who advised it that the competitor's patent is invalid. Holiday is thus continuing to use its device.

Activities: Discuss whether Holiday has infringed the patent and the effect of Holiday having obtained advice of counsel.

ROLE OF PARALEGAL

Paralegals are typically involved in a variety of interesting and challenging tasks related to patent infringement, including the following:

- Ordering and reviewing or downloading file wrappers from the USPTO to review patent claims and prepare a summary of the prosecution history (because prosecution history will bind a patentee from later taking an inconsistent position);
- Reviewing client materials to ensure patented items are properly marked with notice of patent;
- Assisting in preparing complaints to initiate Section 337 investigations before the International Trade Commission and participating in all phases of the investigation;
- Assisting in preparing or responding to cease and desist or demand letters;
- Preparing requests for reexamination of patents (or other post-grant proceedings), complaints for infringement, or responses or answers thereto;
- Preparing tables or charts of patent claims to determine if an accused device infringes a patent either literally or under the doctrine of equivalents;
- Docketing all relevant dates in infringement proceedings, such as dates for close of discovery, submission of written briefs, and so forth;
- Assisting in discovery by drafting interrogatories, reviewing documents produced, summarizing depositions, and so forth;
- Conducting patent searches and investigations to determine the existence of other patents and whether a patent is a pioneer patent and thus entitled to a broader scope of protection than one that represents only a modest improvement in the art;
- Assisting in drafting settlement agreements; and
- Providing general assistance in infringement trials, such as locating witnesses, organizing exhibits and documents, conducting research, serving as a liaison with clients, helping to prepare for *Markman* hearings, and preparing jury instructions.

INTERNET RESOURCES

Federal laws relating to patents: <http://www.law.cornell.edu>
<http://www.gpo.gov/fdsys>

U.S. Patent and Trademark Office: <http://www.uspto.gov> (access MPEP Chapters 2200 and 1200 for information about infringement and appeals, respectively)

(Continues)

- International Trade Commission: <http://www.usitc.gov> (for information on Section 337 investigations)
- U.S. Customs and Border Protection: <http://www.cbp.gov>
- Other information: <http://www.law.stanford.edu/program/centers/iplc> (Stanford's IP Litigation Clearinghouse provides information about patent litigation)
<http://www.findlaw.com> and
<http://www.megalaw.com> (offering general information about patents and patent litigation)

DISCUSSION QUESTIONS

1. ABC has instructed its employee, Peter, to construct a patented invention (marked with a patent notice) so it can design around it and improve on it. Assume that ABC builds one copy of the patented invention to experiment with it to determine how it works. Assume next that ABC builds 40 copies of the invention to give to each of its employees. Discuss whether any of these acts constitute infringement.
2. In 2005, Eva infringed Ted's patent. May Ted bring an action for patent infringement? Discuss.
3. Maria's patent consists of claims with elements A, B, C, and D. Mike's invention consists of elements A, B, and C. Has Mike infringed Maria's patent? Assume that Mike's invention consists of elements A, B, and D, and element X, which is equivalent to element C in Maria's invention. Has Mike infringed Maria's patent?
4. Pam has sued Doug for patent infringement. In reviewing various records, Doug has formed the belief that Pam did not disclose known prior art to the USPTO when she applied for her patent. What defense might Doug assert in the infringement action?
5. Steven sold his patented invention, a camera with a strap for carrying it, to various consumers. Because the strap has worn out, consumers have been replacing it. Discuss whether Steven's invention has been infringed.
6. Gina has gathered all the parts of Mark's patented watch and packaged them with instructions and diagrams on how to put it together. Discuss whether Gina has infringed Mark's patent.
7. Simon has begun selling leather strips to people who use the strips to infringe the leather handles on the handbag for which Becky has a design patent. Discuss whether Simon has infringed Becky's patent.

USING INTERNET RESOURCES

1. Access the website for the USPTO and review the Glossary. What is the definition for "doctrine of equivalents"?
2. Access the website of the International Trade Commission. Review the Frequently Asked Questions relating to Section 337 investigations. Is an ITC decision in a Section 337 investigation appealable to a court?

3. Access the website of the U.S. Customs and Border Protection. Review the seizure statistics for Intellectual Property Rights violations.
 - a. Review the yearly comparisons. What was the total domestic value of intellectual property rights seizures in 2009?
 - b. Review the statistics by Top Trading Partner Commodity. In fiscal year 2008, what was the top source country for intellectual property rights seizures for infringing products? What was the top commodity seized?
4. Access the website for the U.S. Court of Appeals for the Federal Circuit. Access the caseload statistics.
 - a. Access the Caseload Statistics for Patent Infringement and review the Affirmance and Reversal rates. What percentage of district court cases were affirmed in full in 2010?
 - b. Access the Caseload Statistics by Category and review the appeals filed for 2010. What percentage of appeals filed were patent-related?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 21

New Developments and International Patent Law

CHAPTER OVERVIEW

Many of the new developments in patent law relate to the increasing number of patent applications filed for computer software and business methods, reflecting the somewhat more limited scope of protection afforded to software under copyright law. Other new developments relate to medicine, science, pharmacology, and patents for new varieties of seeds and agricultural food products. The most significant development in U.S. patent law, however, is the passage of the Leahy-Smith America Invents Act in 2011, which, among other things, will move the United States from a first to invent system to a first to file system (effective March 16, 2013), in which a patent is awarded to the first inventor to file a patent application (with the one-year grace period described in Chapter 17). Among other reforms are the following: Interference proceedings will be replaced with derivation proceedings (to ensure that the inventor who files a patent application did not derive the invention from another), various post-issuance actions have been added, and prioritized examination of applications is available for additional fees.

In regard to international patent law, because patents granted in the United States have no effect outside U.S. territorial borders, inventors desiring patent protection in foreign countries must comply with the laws of the countries in which they

desire patent protection. Alternatively, however, they may rely on three treaties to which the United States adheres. Under the Paris Convention, a U.S. inventor who files a patent application in any of the more than 170 Paris member nations has 12 months to file applications in any of the other member nations and yet claim the priority date of the first filing. Under the Patent Cooperation Treaty (PCT), an inventor may file one “international” application, thereby receiving the benefit of one centralized filing, searching, and examination process and receiving protection in any PCT member nation, as long as the application is ultimately prosecuted in those nations. Prosecution in the other countries may be delayed for up to 30 months, affording the inventor significant time to gather funds, consider the commercial application of the invention, and evaluate market conditions. Applicants may also rely on the European Patent Convention to obtain patent protection in any or all of the 38 contracting nations. Finally, under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), member nations must afford patent protection to citizens of member nations on the same basis they do for their own citizens. Foreign inventors may apply for patents in the United States as long as they comply with the provisions of the Patent Act.

NEW DEVELOPMENTS IN PATENT LAW

The Patent Act has proven remarkably flexible in accommodating changes and developments in technology. Thus, advancements in technology generally have not necessitated significant changes in the statutes governing patent protection. This situation is somewhat different from that encountered in trademark law with the conflict over domain names

creating much turmoil, and in copyright law with the ramifications of publication on the Internet creating similar turmoil.

Business Method and Software Patents

Many of the cutting-edge issues in patent law relate to patents for computer software. For several years, the conventional wisdom was that unless a computer program had significant commercial value and application, patent protection was often counterproductive or ineffective in that the USPTO often took more than two years to issue a patent, roughly the same time it took for the software program to become obsolete. Thus, protection of the program under copyright law was viewed as the most effective means of protection for software.

Some experts believe that in 1995, when the First Circuit held in *Lotus Development Corp. v. Borland International Inc.*, 49 F.3d 807 (1st Cir. 1995), *aff'd*, 516 U.S. 233 (1996), that Lotus’s menu command system did not constitute copyrightable expression (being an unprotectable method of operation), courts clearly signaled that copyright law provides insufficient protection for computer software. Major companies apparently felt the same way: More than one-third of the patents issued to IBM in 1998 were software-related and nearly one-fourth related to network computing. Similarly, in the wake of losing a \$120 million patent infringement suit, Microsoft received nearly 200 patents for software in 1997 alone. A 2004 study by Boston University reported that approximately 15 percent of all patents issued are for software.

The courts and the USPTO have historically struggled with the issue of patentability for software programs. Programs that are “processes” or “machines” are patentable; programs that are purely mathematical principles or algorithms are not. Nevertheless, in a groundbreaking decision, in *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 149 F.3d 1368

(Fed. Cir. 1998), *cert. denied*, 525 U.S. 1093 (1999), the Federal Circuit held that a data processing system designed to make financial calculations (calculating daily changes in the allocation of certain assets and tracking data relevant to determining year-end income, expenses, and capital gains and losses) was patentable because the calculations produced a useful, concrete, and tangible result. In 1996, guidelines for computer-related inventions (often called “software patents”) were adopted by the USPTO to aid examiners in determining the patentability of software. Under the guidelines (available at the USPTO website at <http://www.uspto.gov>), the following are patentable: a machine that is directed by a computer program, a computer-readable memory, and a computer-implemented process. Algorithms that manipulate only abstract ideas remain unpatentable. In brief, patent applications for computer-related inventions must be carefully drafted by attorneys knowledgeable in the art, the developing case law, and the new USPTO guidelines.

In sum, *State Street* was seen as a deathblow to the older view that business methods were not patentable. Under *State Street*, software, mathematical algorithms, and business methods were patentable as long as they produced a useful, tangible, and concrete result. In the wake of *State Street*, the USPTO experienced an avalanche of patent applications related to business methods. In 1996, two years before *State Street*, only 584 applications were filed claiming business methods; in 2001, three years after *State Street*, 8,700 applications were filed claiming business methods, approximately a 14-fold increase.

The explosion of applications for **business method patents** and software patents led to the granting of some broad and unusual patents. Consider the following:

- U.S. Patent No. 6,004,596 is for a sealed, crustless sandwich; the upper and lower fillings are preferably comprised of peanut butter and the center filling is comprised of at least jelly. In

other words, the patent is for a crustless peanut butter and jelly sandwich, namely, Smucker’s UNCRUSTABLES®; the patent was ultimately rejected by the Federal Circuit Court of Appeals.

- U.S. Patent No. 6,368,227 (for a method of swinging side-to-side on a swing, “invented” by a 5-year-old child whose patent documents stated “licenses are available from the inventor upon request”; upon reexamination, the patent was rejected, likely ending numerous infringing backyard activities).
- U.S. Patent No. 5,443,036 (for a method for inducing cats to exercise, consisting of directing a beam of invisible light produced by a hand-held laser apparatus onto the floor or wall in the vicinity of the cat, then moving the laser so as to cause the bright pattern of light to move in an irregular way fascinating to cats).

In 2000, the USPTO issued a “Business Method Patent Initiative” designed to ensure high-quality patents in this fast-emerging technology field. The USPTO hired new examiners, provided additional training to the examiners, held roundtable meetings with patent practitioners, began subjecting business method applications to expanded prior art searches, and imposed a second review, usually called the “second pair of eyes review,” for those applications. The USPTO maintains a separate Web page within its site for the exclusive purpose of providing information and updates on business method patents (see <http://www.uspto.gov/web/menu/pbmethod>).

In the wake of public criticism of overbroad and often ridiculous patents (such as the patent granted for a crustless peanut butter and jelly sandwich) and a significant rise in litigation related to such patents, a number of court cases attempted to clarify what subject matter was patentable. In 2008, the Federal Circuit rejected its previous *State Street* test (which allowed a business method patent if the invention produced a useful, concrete, and tangible result), and held that the sole method of determining

patentability was whether the claimed process was either tied to a particular machine or apparatus or whether it transformed a particular article into a different state or thing. *Bilski v. Kappos*, 545 F.3d 943 (Fed. Cir. 2008), *aff'd*, 130 S. Ct. 3218 (2010). *Bilski* involved a patent for a method of protecting or hedging against risk in the commodities market. The process was not tied to a particular machine nor did it change any particular article into a different state or thing and was thus held unpatentable by the Federal Circuit. In 2010, however, the U.S. Supreme Court stated that, although the Federal Circuit's "machine-or-transformation" test was a "useful and important clue or investigative tool," it was not the *sole* test for patentability. Although the Supreme Court agreed that the claimed patent for hedging risk was unpatentable because it was merely an abstract idea, it did not categorically exclude business method patents. Thus, the chances of tying a business method to a machine or transformation of matter in the hope of obtaining a patent are diminished post-*Bilski*.

Numerous experts have been disappointed with *Bilski*, inasmuch as it neither categorically excludes business method or process patents nor provides clear rules indicating which such methods or processes are patentable. The Court's opinion simply leaves open questions as to which business methods are patentable.

After *Bilski*, the USPTO issued guidance for its examiner corps in determining patentability for business method process claims. In brief, the USPTO has stated:

- If a method meets the machine-or-transformation test or has been practically applied, such weighs in favor of patentability (unless there is a clear indication that the method is directed to an abstract idea).
- If a method does not meet the machine-or-transformation test or has not been practically applied, such weighs against patentability.

- Examples of non-patentable general concepts include the following:
 - Basic economic practices or theories
 - Basic legal theories
 - Mental activity (forming a judgment or observation)
 - Teaching concepts
 - Instructing how business should be conducted
 - Human behavior (for example, exercising or wearing clothing)

Thus, for example, the concept of magnetism is not patentable, but a magnetic door latch (the practical application of the concept) is patentable.

In sum, there are limits to business method patents, but there are no clear-cut rules or tests to follow post-*Bilski* in determining such.

In Europe, business method patents are not favored, and business methods and software are specifically excluded from the list of patentable inventions by the European Patent Convention, the governing law for the European Patent Organization (EPO). Nevertheless, despite the ban, the EPO has granted patents for computer programs with "technical effects." Likewise, experts predict that the EPO will allow business method patents if they are "dressed up" as another type of invention and specify a technical type of apparatus used to carry out the business method or show that the invention makes a contribution in a technical field.

The AIA and Business Method Patents

The AIA includes two specific provisions relating to business method patents:

- **Tax strategies.** Effective September 16, 2011, any tax strategy for reducing, avoiding, or deferring tax liability is deemed within the prior art, thus making such strategies unpatentable. The provision does not apply to software or other methods or systems used solely for preparing a tax return

or to financial management systems or software to the extent they are severable from any tax strategy. This ban on tax strategy patents seems to ensure that one party does not receive a patent on such and thereby limit the ability of others to interpret U.S. tax law, which is in the public domain.

- **Post-grant review for business method patents.** By September 16, 2012, the USPTO is required to issue regulations to implement a transitional post-grant review process to review the validity of certain business method patents. Only parties charged with infringement may petition for this review. The business methods that are subject to this provision are patents that claim a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term “business method” does not include patents for “technological inventions.” The USPTO is directed to define what the term “technological inventions” means. The petitioner cannot later assert invalidity of the patent in court on any ground raised in the proceeding. The transitional program “sunsets” or ends eight years after the USPTO issues its regulations.

The Rise of Defensive Patenting

When patents are issued without adequate review of prior art, too many patents are issued, causing technology owners to stumble over each other’s intellectual property and producing an avalanche of litigation. Each year Microsoft spends between \$75 million and \$100 million simply to defend the patent lawsuits brought against it. In early 2006, Research in Motion Limited paid NTP, Inc. \$612.5 million to settle the parties’ long-term dispute over whether Research in Motion’s popular BlackBerry wireless e-mail system infringed on NTP’s patents.

In addition to the drain on resources and time caused by high-stakes patent litigation, numerous companies expend additional sums to patent inventions of questionable use solely for defensive purposes. **Defensive patenting**, the practice of obtaining patents not because of a desire to exploit the invention but solely to thwart efforts by others who might claim rights in similar methods and processes, has become increasingly common. Some experts refer to this as the patent practitioners’ equivalent of mutually assured destruction. For example, in mid-2011, Google paid \$12.5 million to buy Motorola’s cell phone business, gaining 17,000 issued patents and another 7,500 pending patents. Most experts viewed the purchase as an attempt by Google to arm itself with patents so that if it is sued, it could use Motorola’s patent portfolio to countersue. Similarly, in 2011, a consortium consisting of tech giants Apple, EMC, Ericsson, RIM, Microsoft, and Sony bought 6,000 wireless technology patents from bankrupt Nortel for the staggering sum of \$4.5 billion. The purchase was reportedly consummated not only to give the consortium patents for technology they can use but also to keep the patents out of others’ hands and to use defensively.

An additional public policy issue raised by defensive patenting is that a company that obtains a patent merely because it is concerned a competitor will obtain the patent first (and then use it to extort a settlement or a license fee), rather than for the purpose of exploiting the patented invention, will likely “lock up” the patent by not using it, which prevents others from using the underlying technology, a practice that impedes the advancement of knowledge.

Patent Trolls

Patent owners have long used their patents to produce revenue streams by licensing the right to use patented inventions or technology to others. The licensee might pay a flat fee to use the patented

technology or might pay a royalty based on the amount of sales of the patented invention or process.

In a twist on patent licensing, numerous companies now secure patents for inventions they have no intention of using or commercializing, solely for the purpose of initiating litigation against claimed infringers. Known as **patent trolls** or non-practicing entities, these companies acquire patents (often from bankrupt companies) and then begin looking or “trolling” for potential infringers. When the patent troll is unable to secure a quick settlement or licensing agreement, it initiates patent litigation, often threatening to obtain an injunction and shut down the other company’s business. Injunctions may be sought and granted even though the trolls have no market share or customers to lose. One wonders whether the inventor of the patented “method of swinging on a swing” described previously intended to enjoin infringers or compel them to seek licenses to swing on their backyard swings.

Many observers viewed NTP, the owner of the BlackBerry-related patents, as a troll. Its only asset was the e-mail patents it accused Research in Motion of violating. In addition, the USPTO found that NTP’s three disputed patents should not have been granted. Yet Research in Motion settled for more than \$600 million to ensure that its three million users could continue to use their BlackBerry devices.

Experts are concerned over the rise of the patent trolls, believing that inventors will not seek to develop and market new ideas and inventions if those can be so easily thwarted by the trolls. Some of the reforms suggested for dealing with patent trolls include additional USPTO staffing and resources to ensure that “bad” patents are weeded out, giving competitors the right to submit arguments against and challenge patent applications, and encouraging patent owners to band together to share strategies and prior art to “bust” the trolls’ patents.

Some provisions in the Leahy-Smith America Invents Act (AIA) should reduce litigation by the

trolls or NPEs who have previously often sued numerous defendants only the basis that a common patent was being infringed. Under a new statute, 35 U.S.C. § 299, parties who are accused infringers may be joined in one action as defendants only if a right to relief is asserted against them with respect to or arising out of the same transaction relating to the invention *and* questions of fact common to all defendants will arise in the action. Accused infringers can no longer be joined in one action as defendants based solely on allegations that they each have infringed the same patent. Although the AIA’s stricter joinder standards went into effect immediately on September 16, 2011, it may not have been swift enough: In the eight days between the passage of the AIA by Congress and its signature by the president, U.S. patent lawsuits against multiple defendants surged 10-fold. The tougher joinder standards mean that patent owners and trolls will likely have to file more individual lawsuits and manage the increased costs associated therewith rather than file a single suit with a host of defendants.

Additionally, the enhanced ability of third parties to submit prior art during a patent’s prosecution (after September 16, 2012) under the AIA may produce higher quality patents.

Biotechnology Patents

Medicine, science, agriculture, and pharmacology present other cutting-edge issues in patent law. Research into genes may hold the key to curing disease throughout the world. Agricultural research may hold the key to providing sufficient food for the world’s ever-increasing population. The USPTO continues to see increases in patents in these fields. In one interesting case, the USPTO issued a patent on Basmati rice lines and grains. The government of India requested reexamination of the patent and submitted 50,000 pages of information to the USPTO arguing that the patent should not have

been issued because it was not novel. India was concerned that the patent would damage exports from its own farmers to the United States, a type of “biopiracy” that would carry off the genetic material and biological resources of India. Most of the claims in the patent were declared invalid.

The development of strains of plants and crops that are resistant to drought and disease has also led to an increasing number of patents issued, and attendant litigation, in the field of “agbiotech.” Genetically modified varieties of crops have been quickly adopted by U.S. farmers. By 2010, approximately 85 percent of U.S. corn crops were genetically modified (primarily to be resistant to insects or herbicides, or both). Gene patents on seeds typically preclude the time-honored practice of saving seeds from a previous harvest for replanting and require instead that farmers purchase the patented seeds each year. One newer topic in the field relates to the patenting of “climate ready” gene families for crops that can withstand climate change such as global warming. Because just a few large companies (such as Monsanto and BASF) have applied for the patents, some have referred to the practice as a “patent grab” to the detriment of smaller farmers and poorer countries.

In *J.E.M. Ag Supply v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124 (2001), a case involving 17 sexually reproduced corn seed patents, the Supreme Court held that utility patents may be granted for plants even though plants are also protectable under the Plant Patent Act and the Plant Protection Variety Act. The Department of Justice supported the decision, stating that providing such protection would promote incentives for research and development in the agricultural fields.

Because scientific and technological advances now permit researchers to rapidly identify large numbers of gene sequences, and some of the sequences are more than 300 pages, the prosecution of applications for these gene sequences presents unparalleled search and examination challenges for the

USPTO. Thus, in 2001 the USPTO issued its Final Guidelines for Determining Utility of Gene-Related Inventions. The guidelines are applicable to all areas of technology, but they are particularly relevant in areas of emerging technologies, such as gene-related technologies.

Genes and other genomic inventions are patentable so long as they meet the requisite statutory criteria of utility, novelty, and nonobviousness and fully disclose the use to which the gene can be put. Isolated and purified DNA is patentable because this form differs from the naturally occurring compound. This position was confirmed in 2011 in *Association for Molecular Pathology v. USPTO*, 653 F.3d 1329 (Fed. Cir. 2011), in which, relying on *Bilski*, the Federal Circuit issued three key holdings about BRCA genes (those used in determining risk of breast and ovarian cancer):

- The isolated genes have different chemical structures than naturally-occurring or native DNA, and are thus patentable rather than being nonpatentable products of nature.
- Claims directed to the process of analyzing or comparing the two gene sequences are not patentable, however, because they claim only abstract mental processes and do not involve transformation.
- A method of screening potential cancer therapeutics included transformative steps (steps of growing transformed cells and manipulating them), and was thus patentable.

This decision has cheered the biotech industry, which has long argued that such patents are necessary to encourage innovation. At the time of the writing of this text, however, some of the plaintiffs involved in the case had requested that the U.S. Supreme Court grant certiorari and take the case.

The intersection of the Patent Act’s requirements that an invention be “useful” with patents in the biotech and chemical fields has led to much

discussion. If drugs are experimental, how can their utility be proven to satisfy the Patent Act? Thus, drugs aimed at the most difficult diseases, such as AIDS and cancer, often face the most difficult challenges in meeting the requirements of utility. New USPTO guidelines now provide that sufficient utility is shown when a patent application explicitly describes a use for a drug that is credible to a person ordinarily skilled in the art.

Nearly insatiable consumer demand continues to fuel activity in the biotech arena. Just a few years ago, drugs were known by name only to the physicians who prescribed them. Today, patients routinely request or demand prescriptions for CRESTOR®, PLAVIX®, or VIAGRA®, all patented products, whose effects are advertised with as much vigor as any other consumer product. According to *Pharma Marketer*, pharmaceutical and biotech companies invested approximately \$65 billion in 2009 to discover and develop new medicines. Without patent protection for drugs, the pharmaceutical industry could not exist. The process of drug invention is lengthy, costly, and risky. Unless protection were provided by patent, manufacturers would not expend the time and effort in developing drugs that ultimately support public health. Thus, the public is benefited by the limited monopoly a patent gives to its inventor.

Other Cutting-Edge Patent Issues

Following are some of the other cutting-edge patent issues that have arisen in the past few years:

- **Human organism patents.** Effective January 23, 2004, under the Weldon amendment, which had to be renewed annually, federal law prohibits the USPTO from issuing patents on human organisms, such as genetically engineered embryos. The USPTO submitted a statement in favor of the law, noting that the law was fully consistent with the USPTO policy on the nonpatentability

of human life forms. The Weldon Amendment was codified in the 2011 Leahy-Smith America Invents Act, which, effective September 16, 2011, expressly prohibits any patent directed to a human organism.

- **Animal-related patents.** While a patent application for a part-human part-animal chimera was rejected in 2005 by the USPTO, some patents have been granted for animals and for animals with some “humanized” components, such as a patent granted for a mouse with a human immune system. As newer scientific techniques allow researchers to combine human and non-human life forms, a deputy commissioner for patents has remarked that it would be helpful to have guidance from Congress or the courts on which inventions are “human” and which are not. Many of these animal patents are for xenografts, namely, developing cells, tissues, and organs in animals for transplantation to humans. Others are for animal models used for medical research, such as the Harvard “oncomouse,” a genetically modified mouse that was highly susceptible to cancer. Patents have also been issued for stem cells from monkeys and other organisms.
- **Biopiracy.** Another critical issue is the patenting of the plant products of indigenous peoples, a form of biopiracy or bioprospecting. For example, when the South African Council for Scientific Research discovered that the hoodia cactus plant, chewed by the San peoples of southwest Africa to reduce hunger, might have uses as an appetite suppressant, it patented the plant and then licensed the patent to British pharmaceutical company Phytopharm, which then licensed it to American drug company Pfizer for \$32 million. When the San discovered the arrangement, they negotiated a profit-sharing agreement.
- **Compulsory licensing.** Under certain conditions, countries may require that patent owners

license the use of their patents to the government or to others. In a process similar to the government's eminent domain power, used to seize real property for the public good, the government thus intervenes in the market and requires that the patent owner grant a **compulsory license** to another. The patent owner usually receives royalties to compensate him or her for the loss of patent rights and control. Compulsory licensing is usually used to serve some public policy reason. For example, some African nations have issued compulsory licenses to allow certain manufacturers to produce additional supplies of patented AIDS-related drugs and vaccines. In the United States, the Attorney General has the authority to issue a compulsory license for air pollution prevention inventions. The topic of compulsory licenses is a hotly debated one as countries struggle with pandemics, widespread diseases, and other health-related threats. For example, the only known vaccine for the avian flu is made by Roche, the giant Swiss pharmaceutical company, which owns the patent for the Tamiflu vaccine. Thus, an outbreak of the avian flu would leave members of the public unprotected if Roche could not produce sufficient quantities of the drug. Additionally, Roche could charge whatever amount it wished for the drug. A compulsory license would allow government entities to require Roche to allow others to manufacture the drug as well.

- **Third-party submissions of prior art.** In 2005, a patent project, spearheaded by New York Law School law professor Beth Noveck and backed by IBM and others, proposed an online peer review system in which experts would advise the USPTO on prior art and assist with determining patentability to reduce the number of “junk” patents issued. Established in conjunction with the USPTO, the program, called the “Peer-to-Patent Project,” encourages

experts to review published patent applications and to provide feedback to the USPTO on existing prior art that may not have been discovered by the applicant or examiner. The USPTO launched a one-year pilot program in 2007 and extended it on several occasions, expanding it each time. Experts have called it the first significant change to the patent examination system since the nineteenth century. Under the pilot project, those filing patent applications in certain technologies (including computer technologies, business methods, and telecommunications) may voluntarily agree to have their published applications placed onto New York Law School's Peer to Patent website for the purposes of collaborative review via the Internet. These applications are then analyzed by members of the public who determine the most relevant documents or prior art relating to the patent and forward them, along with commentary, to the examining attorney. Anyone who believes he or she knows of information relating to the application will be able to post the information online and solicit comments from others. Because this might result in a flood of information, the program includes a ranking system so that others will evaluate the quality of the posters' information (much like eBay users evaluate the credibility of buyers and sellers). As discussed in Chapter 18 and later in this chapter, the AIA also expands the ability of third parties to submit prior art to the USPTO, but the submission must include a concise statement of why each submitted document is relevant.

- **Patent donations.** In recent years, numerous patent owners who have no further use for their patents have donated them to universities and other nonprofit organizations and then taken a tax deduction for the value of the donation. For example, in 1999 DuPont donated a number of

patents to universities and claimed a tax deduction of \$64 million, arguably depriving the U.S. treasury of tax revenue. To ensure that such donations do not constitute tax abuse, the IRS carefully scrutinizes patent donations to verify that the appraisal of their value is objective and reliable. One proposal for reform recommends civil and criminal proceedings in cases in which patents that are known to have no value are transferred for the sole purpose of obtaining tax deductions. In 2004, Congress changed the rules governing donations of intellectual property so that the tax deduction allowed is no longer the fair market value of the property, but the lesser of the property's fair market value or its cost basis.

- **Collaborative patent efforts.** In another collaborative effort, in 2005, a number of companies, including IBM and Sun Microsystems, Inc., formed The Patent Commons Project, intended to serve as a central repository for patents that can be used without threat of infringement by individuals and groups working on open source software. IBM itself pledged open access to 500 of its software patents. Patent owners contribute their patents to The Commons and agree not to enforce these patents against those working on open source software. The Commons thus serves as a “preserve” where patents are used to encourage innovation and collaboration.
- **Patent pools.** In some instances, companies agree to contribute their patents to a **patent pool** and then share any revenue derived when others license use of the patents, which usually relate to complementary technologies. Generally, revenue is shared based on the relative importance of a patent. Thus, a party who wishes to license patented technology has only one negotiation to handle rather than obtaining licenses from each patent holder separately. This

approach to using patents to raise revenue is similar to the various licensing arrangements songwriters enter into with companies such as ASCAP, whereby the songwriters and composers obtain royalties based on licenses granted to restaurants, bars, and so forth to play their copyrighted music. Patent pools improve access to patents to those who license them and provide the patent owners with revenue. However, because of the possibility that patent pooling might have an anticompetitive effect, in 1995 the Federal Trade Commission and Department of Justice issued various guidelines relating to such patent-licensing arrangements.

- **Patent trusts.** In what is largely perceived to be a defensive move against patent trolls, some companies have joined together to buy patents to keep them out of the hands of the trolls. These consortiums, usually called **patent trusts** or patent holding companies, identify and purchase patents that could be used against their members. In some consortiums or trusts, for an annual fee, the members of the group receive a license to all of the patents in the portfolio. For example, Allied Security Trust has more than 20 members, including HP, Oracle, and IBM. These members pay an initiation fee of \$150,000 and a yearly fee of \$200,000. These fees fund the purchase of patents from purported trolls in the technologies that the members use so that the patents cannot be used in litigation against the members.
- **Counterfeiting of patented products.** Piracy of intellectual property is a global challenge because global trade in pirated and counterfeit products threatens the U.S. economy. For example, The Business Software Alliance estimated that in 2010, 42 percent of the software in the world was pirated. In China, the rate of software piracy is 78 percent. The Chamber of Commerce has estimated that IP theft

costs 750,000 jobs each year. Many countries lack strong intellectual property laws. Products from Callaway golf clubs to Rolex watches are counterfeited. One of the most dangerous counterfeit operations is the trade in pharmaceutical drugs such as Viagra. At best, the “fake” drugs are harmless. At worst, they present a serious health hazard to consumers. The World Trade Organization estimates that 10 percent of all pharmaceuticals available are counterfeit. The U.S. Trade Representative works diligently to protect U.S. trade and has implemented a program called Strategy Targeting Organized Piracy (STOP!) to stop pirated goods at the U.S. borders and strengthen intellectual property rights around the world.

- ***Appointment of intellectual property enforcement coordinator.*** The Prioritizing Resources and Organization for Intellectual Property Act (“PRO-IP Act”) of 2008 created a new White House Intellectual Property Enforcement Coordinator or “Czar” to oversee and coordinate domestic and international IP enforcement activities, increases the range of penalties available in counterfeiting cases, and provides money so state and local governments can train law enforcement and educate the public about counterfeiting.

American Inventors Protection Act (AIPA) of 1999

The AIPA was signed into law in 1999 and brought significant changes to patent law. Although some of the provisions of AIPA have been discussed earlier, its key subtitles are as follows:

- ***Inventors’ Rights Act of 1999.*** AIPA helps protect inventors against deceptive practices of certain invention-promotion companies. The Act requires invention promoters to disclose information about their customers’

success in receiving financial gain as a result of the invention-promotion services and allows injured customers to bring a civil action to recover statutory damages up to \$5,000 or actual damages.

- ***The First Inventor Defense Act of 1999.*** Because many individuals were using business methods prior to the stampede by companies to obtain patents for business methods, the Act provided a defense against charges of patent infringement for a party who had, in good faith, actually reduced the subject matter of the invention to practice and commercially used the subject matter at least one year before the filing date of the patent. As discussed later, although this defense was originally available only in actions relating to business method patents, in 2011 the AIA expanded the use of the defense to all patents.
- ***The Patent Term Guarantee Act of 1999.*** This portion of AIPA extends the terms of patents to compensate for certain USPTO processing delays and delays in the prosecution of applications pending for more than three years. Diligent applicants are guaranteed a minimum 17-year patent term.
- ***The Domestic Publication of Foreign-Filed Patent Applications Act of 1999.*** This subtitle provides for publication of patent applications 18 months after their filing unless the applicant requests otherwise upon filing and certifies that the invention has not and will not be the subject of an application filed in a foreign country.
- ***The Optional Inter Partes Reexamination Procedure Act of 1999.*** This subtitle established a reexamination alternative that expanded the participation of third parties. As discussed in Chapter 18 and later in this chapter, effective September 16, 2012, the AIA will replace the inter partes reexamination procedure with an inter partes review proceeding.

Patent Reform and the Leahy-Smith America Invents Act

On September 8, 2011, the Senate approved the House version (H.R. 1249, 112th Cong. (2011)) of the Leahy-Smith America Invents Act (AIA). President Obama signed the legislation on September 16, 2011, making patent reform that was six years in the making a reality. The AIA was the fifth patent reform attempt since 2005 and made sweeping changes to patent law. Its full effects will not be known for several years because many changes are phased in over time, and the USPTO must promulgate numerous regulations relating to how the changes are to be implemented. Although many of the provisions of the AIA have been discussed earlier, following is a summary of its key provisions. Note that provisions within AIA have different effective dates.

- **First-to-File System.** Effective March 16, 2013, the United States will switch from its present “first-to-invent” system in which a patent is awarded to the first inventor to invent to a “first-to-file” system in which a patent is awarded to the first to file a patent application for the invention (although the inventor has a one-year grace period after his or her disclosure of the invention to file the application). Such a system provides an objective way of determining which inventor is entitled to a patent and should reduce costly interferences and litigation over priority of inventorship.
- **Derivation Proceedings.** Once the United States moves to a first-to-file system on March 16, 2013, current interference practice (in which a determination is made as to which of two inventors has priority) will be replaced with derivation proceedings to determine whether the inventor named in an earlier-filed application derived the claimed invention from the inventor of a later-filed application.
- **Patent Trial and Appeal Board.** Effective September 16, 2012, the Board of Patent Appeals and Interferences will be renamed the Patent Trial and Appeal Board. Its three-member panels will review adverse decisions of examiners and appeals of reexaminations and conduct derivation proceedings, inter partes reviews, and post-grant reviews.
- **Assignee Filing and Oaths.** Effective September 16, 2012, an assignee (or one to whom the inventor has an obligation to assign the invention) may file a patent application. The oath and declaration requirements are simplified to permit applicants to file “substitute statements” when an inventor is deceased, cannot be found, or is under an obligation to assign the invention but refuses to sign the oath. These new provisions of the AIA make it easier for the actual owners of inventions (usually employers) to file applications.
- **Fees.** The USPTO is given authority to set its own fees (for seven years) so that fees cover the costs of operations. The USPTO may immediately offer a 50 percent reduction in fees to small entities and began charging \$4,800/\$2,400 for those wishing prioritized or “fast-track” examination of their applications. The USPTO is given the authority to set fees in the future (probably in 2012) so as to offer a 75 percent reduction to “micro entities” (small entities that have not filed more than four patent applications and with income not exceeding three times the median household income in the United States and higher educational institutions). By November 15, 2011, the USPTO added a 15 percent surcharge to all patent-related fees (including patent maintenance fees) and a \$400 surcharge for applications not filed electronically. The USPTO has stated that it will likely not introduce the 75 percent fee reduction for micro entities until sometime in 2012.

- **Third Party Submissions.** Effective September 16, 2012, third parties may submit prior art in the patent record of pending patent applications and include a concise statement of the relevance of the information, if they do so within certain time periods, generally within six months after publication of a patent application.
- **Post-Grant Review Proceedings.** The AIA creates several new post-issuance proceedings and revamps others:
 - **Ex Parte Reexamination.** Ex parte reexamination practice is unchanged.
 - **Inter Partes Reexamination.** Effective September 16, 2011, the threshold question to initiate an inter partes reexamination is no longer “Does the request raise a substantial new question of patentability?” but the higher threshold question “Is there a reasonable likelihood that the requester will prevail in the reexamination?” Effective September 16, 2012, inter partes reexamination proceedings are renamed “inter partes review.” Limited discovery is allowed in the inter partes review.
 - **Post-Grant Review.** Effective September 16, 2012, a new proceeding allows a third party to challenge an issued patent on the basis that it is invalid or unenforceable. A petition for post-grant review must be filed within nine months after a patent is granted.
 - **Post-Grant Review of Business Method Patents.** As discussed, effective September 16, 2012, if a party has been sued for or charged with infringement of a business method patent relating to a non-technological financial product or service, he or she may request a post-grant review of the business method patent to challenge its validity.
 - **Supplemental Examination.** Effective September 16, 2012, supplemental examination

allows patent owners to effectively avoid a later charge of inequitable conduct by requesting an examination of their patent to cleanse or correct their own errors or omissions they may have made during their patent’s examination process (other than fraudulent acts). A patent shall not later be held unenforceable on the basis of information considered, reconsidered, or corrected in a supplemental examination. Thus, supplemental examination may be a shield against a later assertion by a defendant that the patentee’s patent is invalid due to the patentee’s conduct during prosecution.

- **Litigation and False Marking.** The AIA adds several new provisions that will be effective in litigation matters (all of which are effective as of September 16, 2011):
 - **Best Mode Defense.** An infringer can no longer assert the defense that a patent is invalid because the patentee failed to disclose the best mode of making the invention.
 - **Prior User Defense.** A defendant in an infringement lawsuit may assert a prior user defense not only with regard to business method patents but also with regard to all patents if the defendant commercially used the subject matter in the United States at least one year before the filing date of the patent he or she is accused of infringing or one year before the subject matter of the invention was publicly disclosed.
 - **Advice of Counsel.** The failure of an infringer to obtain advice of counsel with respect to an allegedly infringed patent or to present such advice in litigation cannot be used to prove that the accused infringer willfully infringed the patent or intended to induce infringement.
 - **False and Virtual Marking.** Only the United States may sue for statutory damages

if an article is marked with a patent number when it is not so patented; private parties may no longer sue and recover damages unless they have suffered a competitive injury as a result of false marking of a product. This provision is effective as to any lawsuits pending on its effective date and will thus result in dismissals of many lawsuits. Patent owners may give notice of their patents by placing information on the patented article using the word “patent” or the abbreviation “pat.” together with an address of an Internet site that associates the patented article with the number of the patent. Thus, when a patent expires, patent owners can easily change the information on the Internet rather than going to the expense and effort of changing actual product molds that display the patent number.

- **Joinder of Defendants.** As discussed, plaintiffs suing for patent infringement cannot as easily add or join defendants. Defendants can be joined only if questions of

fact common to all of them will arise in the lawsuit. Before this amendment, plaintiffs often sued numerous unrelated defendants in one action solely on the basis that each infringed some aspect of a patent.

- **Miscellaneous.** The AIA includes a few miscellaneous provisions, including the following:
 - **Tax Strategies.** Effective September 16, 2011, patents will not be granted for any strategy for reducing, avoiding, or deferring tax liability because such strategies are deemed prior art (although tax preparation software will remain patentable, assuming it satisfies other patentability requirements).
 - **Human Organisms.** Effective September 16, 2011, patents will not be granted to claims encompassing human organisms.
 - **Statutory Invention Registrations.** Effective March 16, 2013, statutory invention registrations are repealed.
 - **New Satellite Offices.** The USPTO is to establish three “satellite” offices within three years after September 16, 2011.



STAYING CURRENT

The duty of competence imposed on legal professionals requires that they stay current in legal developments they would reasonably be expected to know. To keep informed of changes that affect patent law and practice, consider the following:

- Track pending legislation through THOMAS (<http://thomas.loc.gov>).
- Subscribe to an IP-related newsgroup (such as GigaLaw.com at <http://www.gigalaw.com>) that will send you daily e-mail alerts on emerging issues in the IP field.
- Routinely visit the USPTO website and access “News & Notices” for changes in USPTO practice and procedures.
- Review any magazines or journals, such as *Journal of Intellectual Property*, to which your office may subscribe.

Although the AIA made significant changes to patent law, it did not include some changes that many had hoped for. For example, it did not prevent “forum shopping” by plaintiffs in patent infringement cases. At present, the Eastern District of Texas is perceived to be plaintiff-friendly, and more defendants are sued there for patent infringement than in Delaware, California, New Jersey, and Illinois combined. Similarly, the AIA did not address proposals to rein in patent infringement damage awards. Finally, it did not halt the practice of diverting USPTO fees to other government agencies. Most experts believe that these proposals, which had been hotly contested for years, were dropped from the final text of the AIA to ensure that some meaningful patent reform could go forward.

INTRODUCTION TO INTERNATIONAL PATENT PROTECTION

The rights granted by a U.S. patent extend only throughout the United States and have no effect in a foreign country. Therefore, generally, an inventor who desires patent protection in other countries must apply for a patent in each of the other countries or in regional patent offices. Nearly every country has its own patent law, and a person who wishes to obtain a patent in a particular country must make an application for patent in that country, in accordance with its requirements. A directory of and links to worldwide patent offices can be found at <http://www.wipo.int/directory/en/urls.jsp>.

The laws of many other countries differ in various respects from the patent law of the United States. In many foreign countries, publication of the invention before the date of the application will be an absolute bar to the right to a patent. In the United States, however, effective under the AIA on March 16, 2013, the one-year grace period applies

as to the inventor’s own publication or disclosure, so that if the invention was described by the inventor (or one who obtained the invention from the inventor) in a printed publication, the inventor has one year thereafter to file the patent application for the invention. Most foreign countries require that the invention be manufactured in that country within a certain period of time, usually three years, after grant of the patent or the patent will be void, while in the United States there is no requirement that the invention ever be manufactured, used, or sold. Additionally, nearly all foreign countries grant patents to the “first to file” the application. The United States has followed a “first to invent” system for 200 years, although under the AIA, effective March 16, 2013, the United States will adopt a “first to file” system.

There are several **international patent** treaties to which the United States adheres, primarily the Paris Convention, the PCT, and the Agreement on TRIPS.

THE PARIS CONVENTION

The Paris Convention for the Protection of Intellectual Property of 1883 is a treaty adhered to by more than 170 nations and is administered by WIPO, discussed in Chapter 8.

The Paris Convention requires that each member country guarantee to the citizens of the other member adherents the same rights in patent and trademark matters that it provides to its own citizens (the principle of “national treatment”). The treaty also provides for the right of priority in the case of patents, trademarks, and industrial designs (design patents). The right of priority means that, on the basis of a patent application filed in one of the member countries, the applicant may, within one year, apply for patent protection in any of the other member countries. These later applications will then

be regarded as if they had been filed on the same day as the first application in the first country, assuming the first application adequately disclosed the invention. (See Appendix A for a table of the countries adhering to the Paris Convention.)

Recall from Chapter 8 that after a trademark application is filed in the United States (or any Paris Convention member country), the applicant has six months to file an application for the same mark in any Paris Convention member country. The later-filed application captures the filing date, called the “priority date,” of the earlier-filed application. The same principle is true for patents, although the time period for filing a patent application is one year (six months for a design patent). Thus, a later application will have priority over an application for the same invention that may have been filed during the 12-month period of time. For example, if an inventor files a patent application in the United States on January 1, 2012, he or she will have until January 1, 2013, to file an application for the same invention in any Paris Convention member country, which application will then be treated as if it were filed in that country on January 1, 2012. Filing either a provisional application or a standard utility patent begins the Paris Convention priority year for U.S. applicants.

Additionally, the later-filed application, because it is based on the date of the first application, will not be invalidated by some act accomplished in the interval, such as sale or use of the invention. Similarly, the earlier priority date is the date of invention for determining whether prior art precludes granting of a patent for the invention.

There are, however, a few conditions that must be satisfied if an applicant is to be allowed to claim the date he or she first filed an application in a foreign country as the priority date in a later-filed U.S. application:

- The foreign country in which the application was first filed must afford similar privileges to

citizens of the United States or to applications first filed in the United States.

- The applicant must submit a certified copy of the original foreign application, specification, and drawings to the USPTO.
- The priority application must be for an invention by the same inventor(s) and for the same invention as identified in the later U.S. application.

The priority right is based on the filing of the application in the foreign country and timely filing in the United States. The prosecution status or history of the application in the foreign country is irrelevant. If the foreign country refuses to grant a patent, or the applicant abandons the application, such is irrelevant to the later U.S. application. Similarly, the granting of a patent by one country does not oblige another country to do so.

The Paris Convention affords patent applicants the opportunity to file a patent application in a member country and then take 12 months to determine whether foreign protection will be sought. An applicant may determine that the invention is not marketable in certain countries and thus decide not to apply for patents in those countries. In this way, the Paris Convention saves an applicant the time and expense of having to file simultaneous patent applications in several nations before it has had an opportunity to evaluate the likelihood of obtaining patent protection and exploiting the invention commercially.

THE PATENT COOPERATION TREATY

Introduction to the Patent Cooperation Treaty

While the Paris Convention allows applicants to defer decisions about filing in member countries for 12 months, it still requires that applicants file separate applications in each country in which they desire

protection. For an inventor who wishes to market his or her invention on a global basis, this process is time-consuming and expensive in the extreme. The PCT, which was negotiated in 1970 and came into force in 1978, responds to these concerns by providing a centralized way of filing, searching, and examining patent applications in several countries simultaneously. Moreover, a standardized application format is used, saving applicants substantial time and money that is ordinarily incurred in ensuring that a patent application complies with the procedural and formatting requirements imposed by each country. The PCT is adhered to by more than 140 countries (called “contracting states”), including the United States, and is administered by WIPO. In sum, the PCT allows an inventor to file one “international” application and seek protection for the invention simultaneously in several countries. (See Appendix A for a table of the countries adhering to the PCT.)

The one application filed with the PCT does not automatically mature into a patent that affords patent rights in several countries. The applicant must eventually prosecute the application in the countries elected in the **national phase**. The PCT process, however, affords a significant window of time for the applicant to keep his or her options open while a determination is made as to whether protection should be sought in various foreign countries. The USPTO website (<http://www.uspto.gov>) provides a great deal of information about the PCT process, including links to a list of PCT member countries, fee schedules and PCT fees and forms, and tutorials relating to the PCT application process.

Phases in the PCT Application Process

There are two main “phases” for PCT applications: the “international phase,” which begins with filing the application and includes an international search report and written opinion and that may consist of

two parts or “chapters,” mandatory Chapter I and an optional Chapter II (collectively referred to as the “international phase”); and the “national phase,” which involves prosecution of the application in each country in which the applicant desires patent protection.

The PCT Application Process

Filing the Application. The “international” application may be filed with the patent office of the member country of which the applicant is a national or resident or, if the applicant desires, with the International Bureau of WIPO in Geneva, Switzerland. When filed with a national patent office, such as the USPTO, the office is said to act as a PCT **receiving office**. Typically, applicants file their PCT applications with their own national patent offices. Thus, the USPTO acts as a receiving office for most international applications filed by nationals or residents of the United States, and the application may be filed electronically using EFS-Web (which provides an instant serial number and increases the visibility of the application on Private PAIR). Effective January 1, 2004, the filing of an international application automatically constitutes the designation of *all* contracting countries to the PCT on that filing date, meaning that the application is viewed as requesting patent protection in the more than 140 PCT countries.

Ultimately, the applicant will designate or elect those countries in which the applicant desires patent protection. For example, a citizen of the United States could file a PCT application with the USPTO and later elect Spain, Brazil, and the United Kingdom as countries in which he or she also desires to pursue patent protection. Only one filing fee is paid for filing the PCT application, which is called an “international patent application.” The amount of the filing fee generally depends upon the length of the application. The application is similar in form to utility patent applications in that it contains claims and drawings of the invention.

A PCT application may claim priority, under the Paris Convention, of an earlier patent application for the invention. Thus, if a patent application was filed in the United States on January 4, 2012, and an international PCT application was filed with the USPTO on June 4, 2012, which later designates or is prosecuted in Spain, Brazil, and the United Kingdom, the effective filing date for the PCT application for all of those countries will be January 4, 2012. If priority is not claimed under the Paris Convention (usually because no prior application has been filed in any foreign country), the effective filing date will be the date the PCT application was actually filed.

Many applicants file a standard patent application with their home patent office and then, near the end of the 12-month period afforded by the Paris Convention, file a PCT application with their home office (now acting as a receiving office).

Chapter I. The filing of the international patent application triggers the first phase of the PCT process, called **Chapter I**. During Chapter I, the international application is subjected to an international search by an “international searching authority,” which is one of the experienced patent offices designated by WIPO to conduct searches. The international searching authorities designated by WIPO are the national offices of Australia, Austria, Brazil, Canada, China, Finland, Japan, the Republic of Korea, the Russian Federation, Spain, Sweden, the United States, the Nordic Patent Institute, and the European Patent Office. The applicant typically selects the international searching authority it desires, and it may be different from the office that is serving as the receiving office. The international searching authority will conduct an extensive search of the relevant prior art. The results of the search are set forth in an “international search report” that is provided to the applicant four or five months after the international application is filed (which is also 16 months after the Paris Convention priority date). The search

report typically lists and identifies documents and references that may affect patentability. Additionally, the international searching authority will provide a written opinion to the applicant and to WIPO. The opinion is a preliminary (and nonbinding) determination as to whether the invention is patentable. The applicant may amend claims in the international patent application, if necessary to avoid prior art. The applicant is generally given two months to amend his or her claims. If the report discloses prior art that would bar the application, the applicant may decide to abandon the PCT application.

Since January 2009, the applicant may also request a supplementary international search from an international search authority other than one that carried out the initial search. Only 41 supplementary requests were made in 2010.

The PCT application and the international search report are published 18 months after the filing date or priority date. Publication serves to notify the public that an international patent application has been filed for the invention and affords an opportunity for third parties to obtain copies of the application. After April 1, 2006, publication is solely in electronic form (and is available through WIPO’s website at <http://www.wipo.int>). The written opinion is not published and is not publicly available until 30 months from the priority date. The publication date should be docketed so that the inventor can ensure applications are timely filed in countries that are not members of the Paris Convention inasmuch as this publication will foreclose patent applications in those countries that bar applications for inventions that have been published (unless they afford a one-year grace period for the inventor’s disclosures, such as the United States does, effective under the AIA). Until publication, the application is maintained in confidence. In a later infringement case, in most PCT countries, a patent owner may recover damages arising from the date of publication (rather than from the date the patent issues).

The Chapter I phase of the PCT process lasts for 20 months from either the filing date of the international patent application with the receiving office or the claimed priority date if the application claims priority under the Paris Convention. This 20-month period affords the inventor the opportunity to evaluate the marketability of the invention and gather funds in order to enter foreign markets.

Participation in Chapter I of the PCT process does not require participation in Chapter II.

Chapter II. After completion of Chapter I, the applicant may now elect to prosecute the application in individual countries in which patent protection is desired (the “national phase”) or may delay prosecution in the national phase until 30 months (in most countries) from the effective filing date of the PCT application. Alternatively, the applicant may take the optional step of entering **Chapter II** and requesting or demanding an international preliminary examination. This demand is generally filed 22 months after the priority date or filing date and identifies or elects the countries in which protection is desired. Filing fees are required. An international preliminary examining authority (the same as the international searching authorities identified earlier) will issue an international preliminary report on patentability (and stating whether the claims satisfy the criteria of novelty, nonobviousness, and industrial application) and communicate it to the various national offices in which the applicant desires patent protection. Although the report is not binding on any specific nation, it is highly authoritative. If the report is favorable, it provides a strong basis on which to continue with the application in various countries. If the report is unfavorable, the applicant may modify his or her claims or decide not to proceed further.

The PCT has experienced a consistent growth rate each year, which growth has generated tremendous increases in the workload for various PCT

offices. In many cases, applicants entered Chapter II and demanded an international preliminary examination merely for the purpose of buying time, namely, an additional 10 months while the examination was conducted. As a result, the PCT was modified effective April 1, 2002, to provide that the time limit for entering the national phase (and prosecuting the individual patent applications in the desired countries) will be 30 months from the effective date of filing of the PCT application whether the applicant enters after Chapter I (and forgo an international preliminary examination) or after Chapter II (and demands the international preliminary examination). Thus, applicants who wish to buy time no longer need to file a demand for the international preliminary examination. This new modification has resulted in fewer demands for international preliminary examinations, which in turn reduces the workload for the various patent offices.

Although the United States has adopted the modified rule, not all PCT contracting states have changed their national laws to adopt this new 30-month period.

The National Phase. If, after the duration of Chapter I (and the international preliminary report on patentability, if elected through Chapter II), the applicant decides to go forward with the application in the countries designated in the application, the applicant commences the “national phase” of the PCT application process.

Remember that as of April 1, 2002, an applicant must enter the national phase and begin prosecuting the application in individual countries 30 months from the date of filing of the PCT application or the priority date, whether the applicant enters the national phase after Chapter I (and forgo an international preliminary examination) or after Chapter II (and demands the international preliminary examination). The additional time afforded by the PCT process (30 months from the

date of filing of the PCT application or its priority date, whether or not an international preliminary report on patentability is requested in Chapter II) is significantly more time (i.e., 18 months more) than the 12 months afforded under the Paris Convention. This additional time is useful for allowing inventors to determine whether the invention is commercially exploitable in various countries and whether protection is needed in certain countries. Note, however, that an applicant may always request early entry into the national phase.

National fees must be paid to each country in which protection is desired, and often translations must be obtained of the PCT application. In many instances, the applicant will decide to forgo protection in some countries and will not pursue the patent application in those countries. Thus, the application will lapse in those countries. Each national office in which the application is pursued will now conduct its own search and examination procedure, although the process is both easier and faster due to the fact that the highly credible international search report

and written opinion from Chapter I and possibly an international preliminary report on patentability from Chapter II have already provided interpretations regarding the patentability of the invention. Each of the countries will either grant or reject the application based on their own laws. The term of a patent designating the United States is 20 years from the effective filing date of the PCT application.

See Exhibit 21–1 for a PCT timeline and Exhibit 21–2 for a summary of the PCT application process.

Advantages of the PCT Application Process

The most significant advantage provided by the PCT application process is time. If an application is filed in the United States and the applicant wishes to file an application for the same invention in Japan, under the Paris Convention, the applicant has only 12 months from the U.S. filing date to file in Japan. The filing in Japan will require filing fees, translations,

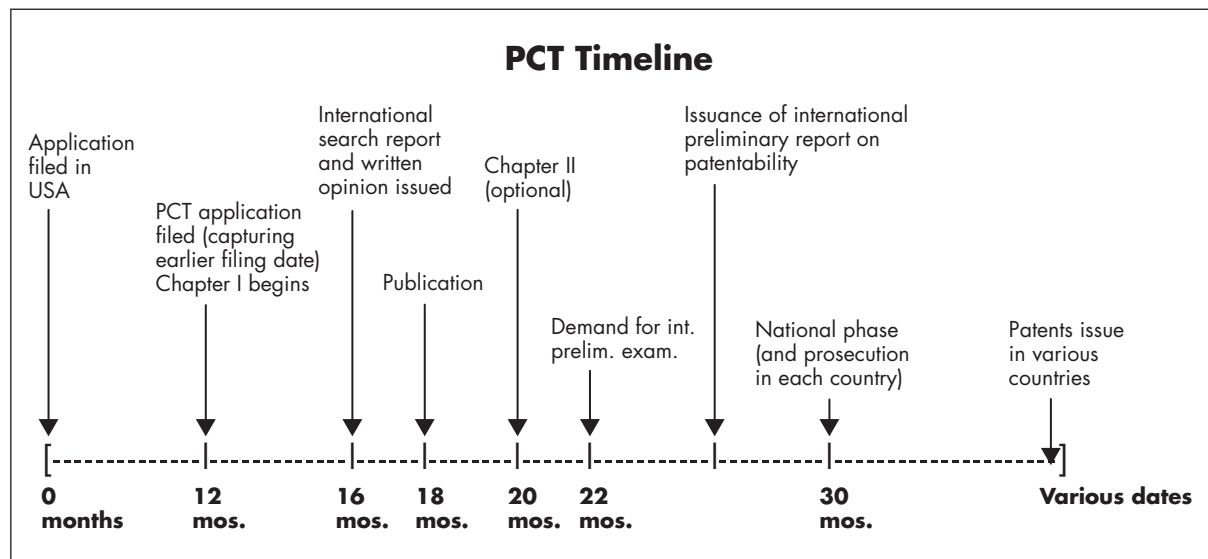


EXHIBIT 21–1 PCT Timeline

THE PCT PROCESS IN A NUTSHELL

1. **Filing.** An application is filed in a standardized form in a “Receiving Office.” Since 2004, the application is deemed to constitute a designation of all PCT contracting states. Filing the application commences mandatory Chapter I of the PCT, which includes an international search and examination. Priority may be claimed under the Paris Convention.
2. **Examination.** The application is examined by an international search authority, which will issue an international search report and a written opinion. The applicant may request a supplementary international search.
3. **Publication.** The application and the international search report are published 18 months after the application filing date.
4. **Option A: Proceed to National Phase.** The applicant may now forgo Chapter II and proceed directly to the national phase and begin prosecuting the application in the countries in which protection is desired. Entry into the national phase must occur 30 months after filing of the PCT application.
5. **Option B: Chapter II.** If the applicant desires to enter Chapter II, a “demand” is filed, an international preliminary examination will be conducted, and an international preliminary report on patentability will be provided. The applicant must enter the national phase 30 months after filing of the PCT application.
6. **National Phase.** The patent offices of the countries in which patent protection is desired will now examine the application and grant or deny the patent.

EXHIBIT 21–2 The PCT Process in a Nutshell

and the costs of prosecution as the process proceeds in Japan. On the other hand, under the PCT, the applicant can file one application in the United States (which is deemed to designate all PCT countries) and later elect to prosecute the application solely in Japan. The applicant then has 20 months during Chapter I while a search is done, and, whether or not an examination is requested under Chapter II, a total of 30 months before he or she must decide whether to pursue the application by entering the national phase in Japan and pay the appropriate fees, arrange for a translation, and prosecute the application in Japan. In addition to the benefits afforded by this time, the PCT process also affords the benefits of a single application format and a centralized filing, searching, and examination system. The PCT, however, is not applicable to design patents, and therefore, the maximum delay afforded an applicant for a design patent to decide whether to make foreign

patent applications is the six months provided for design patents under the Paris Convention.

The time afforded by the PCT allows an inventor additional opportunity to reflect on whether protection is actually desired in certain countries and to gather funds necessary to prosecute the applications during the national phase and to market and exploit the invention. Additionally, due to the highly authoritative nature of the international search report and written opinion (from Chapter I) and international preliminary report on patentability (from Chapter II), the PCT process provides an indication to the inventor about the likelihood of whether a patent will be granted in various countries. Finally, the time and costs involved in the national phase are likely to be significantly reduced because much of the searching and examination work required has already been conducted in Chapters I and II.

The success of the PCT process is demonstrated by the fact that in 1979, only 2,625 PCT applications were filed, while in 2010, the number had grown to 164,300. The United States is the country of origin for approximately 27 percent of PCT applications, followed by Japan (20 percent), Germany (11 percent), China (8 percent), and the Republic of Korea (6 percent).

THE EUROPEAN PATENT ORGANIZATION

The **European Patent Organization** (EPO) was founded in 1973 to provide a uniform patent system in Europe. A European patent can be obtained by filing a single application with the EPO headquartered in Munich (or its sub-branches in The Hague or Berlin or with the national offices in the contracting nations). The application is deemed to designate all contracting states in the EPO, but the applicant must later confirm the designation for the specific countries in which protection is desired. Once granted, the patent is valid in any of the EPO countries designated and has the same force as a patent granted in any one of the contracting nations. The EPO contracting nations are Albania, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, former Yugoslav Republic of Macedonia, France, Germany, Hellenic Republic (Greece), Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom. Although it is not a contracting nation to the European Patent Convention, Bosnia and Herzegovina has an extension agreement with the Convention, allowing it to participate as an EPO country and to be designated in an EPO patent application.

After the application is filed, a search will be conducted, the application will be examined, and

the application will be published. Within six months after publication, the applicant must decide whether to pursue the application by requesting a substantive examination. It generally takes nearly four years to obtain a European patent. Within nine months following the date of grant of the patent, a party may oppose the grant on the basis the patent does not comply with the substantive provisions of the European Patent Convention. A binding decision will be issued by the opposition division of the EPO. The European patent is valid for 20 years from the date the application was filed. Since the filing of the first European patent application in 1978, more than four million European patents have been granted. In 2010, the EPO received more than 235,000 patent applications.

An applicant who is a national or resident of a nation that is a party to the European Patent Convention may file a PCT application with the EPO. A party from outside the European Patent Convention (EPC) countries who designates a contracting state in a PCT application may opt for the effect of a European patent application. Thus, if a citizen from the United States files a PCT application and desires patent protection in Germany and France, the applicant may opt for the effect of a European patent application to cover all of the European contracting nations, rather than merely later electing Germany and France, and later decide the EPC contracting states in the protection is desired.

As discussed earlier, the EPO takes a far more conservative view in granting patents for software and for business methods than does the United States.

Since 2000, there have been proposals for a unitary or single patent that would be valid across all members of the European Union. In brief, the classic bundle of European patents granted by the EPO would be transformed (upon request by the patent owner) into a unitary patent valid for all participating European Union member nations. As of the writing of this text, the proposal has gained momentum

and many experts expect the first unitary patent to be granted in 2013. Similar proposals for a single European Patents Court have progressed, with many experts expecting the court to be approved in 2012.

THE PATENT PROSECUTION HIGHWAY

In 2006, the United States launched its **Patent Prosecution Highway** (PPH), which fast-tracks examination of corresponding patent applications filed in the USPTO and in various IP offices around the world. Under the PPH program, an applicant who receives a ruling from an “Office of First Filing” that at least one claim is patentable may request that the “Office of Second Filing” fast-track the examination of corresponding claims in corresponding applications filed in the Office of Second Filing. The Office of Second Filing can use the Office of First Filing’s work products, such as search and examination reports, to streamline and expedite patent processing. For example, assume that an inventor files an application for a patent in Japan. If at least one claim is ruled patentable, the applicant may then request that the USPTO fast-track the examination of corresponding claims in a corresponding USPTO application. The USPTO will advance the application and examine it before others that may have been filed earlier. The USPTO also benefits from work previously done by the other office, in turn reducing workload and improving patent quality.

The USPTO has reported that about 90 percent of PPH cases are allowed, compared with an allowance rate of less than 50 percent for non-PPH cases. Before the PPH, patent offices around the world often duplicated each other’s work. Now, although each office makes its own determination of patentability, the reusing and sharing of search and examination results streamlines the process and promotes faster patent examination.

The USPTO has PPH partnerships with 15 foreign offices, including the Japanese Patent Office and the Korean Intellectual Property Office. A complete list of PPH partnerships is available on the USPTO website.

AGREEMENT ON TRADE-RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS

The World Trade Organization’s Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) was accepted by the United States in 1995. In addition to providing enhanced protection for trademarks (by requiring all adhering nations to allow registration of service marks as well as trademarks and providing that registrations cannot be cancelled for nonuse unless three years have passed) and copyrights (by specifying that computer programs must be protected as literary works), TRIPS also strengthens international patent law.

To comply with its obligations under TRIPS, the United States was required to amend the Patent Act in several respects. The most significant change was the revision relating to the term of a patent. Until adherence to TRIPS, the U.S. utility patent term was 17 years from the date the patent was issued. Because the term of the patent did not start until issuance, applicants in some instances delayed prosecution of their patents (sometimes called “submarine patents” because they lurked below public view) while they tested the market, gathered funds, and made plans to bring the invention to the marketplace. To harmonize U.S. law with that of most foreign nations, the term of a utility patent was changed to 20 years from the date of filing of the application, thus encouraging applicants to pursue prosecution diligently. Additionally, the publication of most patents in the United States within 18 months of filing avoids the problem of submarine patents. Another significant

change in U.S. patent law related to determining the first to invent in priority disputes. Until TRIPS, the United States ignored evidence of inventive activity abroad, thus discriminating against foreign inventors. TRIPS requires the United States to make patent rights available without discrimination in regard to the place of invention. TRIPS is administered by the World Trade Organization, headquartered in Geneva, Switzerland.

THE PATENT LAW TREATY

Negotiations in WIPO in the latter half of the 1990s produced the Patent Law Treaty (PLT), which was adopted in June of 2000 and entered into force in April 2005. The goal of the PLT is to harmonize the formal requirements established by the individual patent offices around the world and streamline the procedures for obtaining and maintaining patents. The PLT is primarily concerned with patent formalities (rather than aspects of substantive patent law). The PLT eliminates overly burdensome requirements and establishes limits on the requirements that can be imposed by the various national patent offices throughout the world. It simplifies and standardizes application procedures that at present vary from nation to nation. For example, the PLT signatories have agreed to a set of standardized forms and have agreed that a failure to comply with various formalities at the time of filing of a patent application will not result in a loss of the filing date. Additionally, the signatories have agreed to offer electronic filing of applications and other communications. These simplified procedures make it easier and less expensive for individual inventors to apply for patents. Additionally, the PLT provides that in the event of a late filing (meaning one that is beyond a priority period), restoration is possible if it is found that the failure to file was unintentional or due care was exercised. Finally, the PLT does not require that a representative be employed during all stages of prosecution;

however, a legal representative must still be engaged to provide translations, often the costliest part of the patent application process.

Only 29 countries have formally accepted the PLT, which continues the trend of harmonizing patent law throughout the world so that inventors have easier access to patent protection on an international basis. The United States has signed the PLT but has not formally ratified it. (See Appendix A for a Table of Treaties, identifying the member nations of various treaties and organizations.)

FOREIGN FILING LICENSES

To ensure that national security is not impaired, a person may not file a patent application in another country for an invention made in the United States unless the Commissioner of Patents grants a license allowing the foreign filing or until six months after the filing of the U.S. application for the invention. 35 U.S.C. § 184. The six-month waiting period allows the USPTO to review applications that might affect matters of national security.

Filing a patent application with the USPTO is deemed to be a request to the Commissioner for a license to file an application in a foreign country. The official USPTO filing receipt will indicate to the applicant whether the license is granted or denied. If the inventor does not wish to file an application in the United States but prefers to file immediately in a foreign country, he or she may file a petition to the Commissioner for Patents requesting that a **foreign filing license** be granted.

If the foreign filing license requirements are violated, any corresponding U.S. application is invalid. Additionally, criminal penalties and fines may be imposed. The violation may be cured, however, and a retroactive foreign filing license may be granted if failure to obtain the license was through error.

It is possible that the Commissioner may refuse the applicant permission to file an application in a

foreign country and may order that the invention be kept secret. In fact, all patent applications filed in the United States are screened for subject matter that might affect national security. If the appropriate government agency determines that national security is impaired a secrecy order will be issued. A **secrecy order** prohibits publication or filing until the order is lifted. No patent can issue on an application subject to a secrecy order. The applicant may, however, obtain compensation from the government for damages caused due to his or her inability to secure a patent for the invention.

APPLICATIONS FOR U.S. PATENTS BY FOREIGN APPLICANTS

The patent laws of the United States make no discrimination with respect to citizenship of the inventor. Any inventor, regardless of his or her citizenship,

may apply for a patent in the United States on the same basis as a U.S. citizen. In fact, approximately 50 percent of the patent applications received by the USPTO come from abroad. Compliance with U.S. patent law is required.

If the applicant is a citizen of a Paris Convention nation and has first filed the application in a foreign country, the applicant may claim the filing date of the earlier filed application (as long as the U.S. application is filed within 12 months after the filing of the foreign application). The U.S. application will then be treated as if it were filed on the earlier filing date.

An oath or declaration (or substitute statement, under the AIA) must be made with respect to the U.S. application. This requirement imposed on all applicants for U.S. patents is somewhat different from that of many foreign nations in that foreign nations often require neither the signature of the inventor nor an oath of inventorship.

TRIVIA

- Of the \$12.5 million Google paid in 2011 to purchase Motorola's cell phone business, \$9.5 million reportedly related to the purchase of Motorola's patents.
- In 2010, U.S. residents filed 254,895 patent applications with the USPTO. Residents of foreign nations filed 255,165 applications, with residents of Japan filing the most applications, followed by citizens of Germany, the Republic of Korea, Taiwan, Canada, the United Kingdom, and France.
- In 2011, China passed the United States and Japan to become the world's top patent filer.
- In 2010, four U.S. companies (IBM, HP, Microsoft, and Intel) were on the top-10 list of private sector patentees that received patents from the USPTO. Samsung, a South Korean company, was the number two recipient. The remaining five recipients were Japanese or South Korean companies.
- In fiscal year 2011, the USPTO received more than 48,000 international or PCT applications, representing 9 percent of all applications filed with the USPTO.
- The average total patent pendency in 2011 was 33.7 months. The average pendency for patents related to computer architecture, software, and information security was 39.6 months.
- About 2 percent of the USPTO's patent revenue is derived from PCT fees.
- In April 2011, WIPO received its two-millionth PCT application, which was filed by Qualcomm, a U.S. company.

TRIVIA

CHAPTER SUMMARY

Although *State Street* was seen as dealing a deathblow to the older view that business methods were not patentable, general concepts remain unpatentable. After *Bilski*, a method that can be practically applied or is tied to a machine or has been transformed in some way may be patentable, although the machine-or-transformation test is not conclusive. Other new developments in patent law relate to inventions in the areas of medicine, pharmacology, and ag-biotech.

The most significant change to patent law since 1952 is the 2011 Leahy-Smith America Invents Act, which changes U.S. patent law in several respects, most notably changing the United States from a first to invent system to a first-to-file system, effective March 16, 2013, in which a patent will be awarded to the first to file a patent application (subject to the one-year grace period described in Chapter 17). Other changes include several new post-grant review proceedings, allowing third parties to submit information relating to pending patents, and providing for the fast-tracking of patent applications (upon payment of a fee therefor).

Because patents granted by the USPTO have no effect in a foreign country, inventors desiring patent protection in other countries must apply for patents in each of the countries in which protection is desired. Because applying for and prosecuting patents on a country-by-country basis is expensive and cumbersome, inventors often rely on the protection afforded by various treaties, including the Paris Convention, a treaty adhered to by more than 170 nations. On the basis of an application filed in one of the member countries, the applicant may, within one year, apply for protection in any or all of the other member countries, and claim as its priority date the date the application was first filed. This 12-month period of time allows inventors to gather funding and engage in marketing analysis to determine in which countries patent protection should be sought.

Another treaty, the PCT, facilitates the filing of applications for patents in member countries by providing a centralized filing procedure and standardized application format. The filing of an “international” application under the PCT affords applicants an international filing date and provides a later time period (up to 30 months) within which individual national applications must be prosecuted.

Other international conventions also exist, principally the EPO (a centralized patent system affording patent protection in as many of the member countries as the applicant designates in a single patent application), and TRIPS, by the terms of which the United States revised the duration of utility patent protection from 17 years from the date of grant to 20 years from the date of filing of a patent application. The new PLT aims to simplify and streamline the process for international patent filings.

Under U.S. law, it is necessary to obtain a license from the Commissioner of Patents before applying for a patent in a foreign country. Filing an application in the United States is equivalent to requesting a license, and when the USPTO issues a filing receipt, it will indicate whether the request is granted or denied. The USPTO may order an invention to be kept secret if national security concerns are implicated.

CASE ILLUSTRATION

PATENTABILITY OF PARTICULAR METHODS POST-*BILSKI*

- Case:** *Classen Immunotherapies, Inc. v. BIOGEN IDEC*, 659 F.3d 1057 (Fed. Cir. 2011)
- Facts:** Patent holder sued for infringement of three patents. The patents related to methods of evaluating and improving the safety of immunization schedules. Two of the patents were directed toward a method of lowering risk of a certain disorder and included the physical step of immunization. One patent related to a method of determining whether an immunization schedule affected the incidence or severity of the disorder.
- Holding:** The patents directed to the method of lowering the risk of the disorder and that included the further step of actual immunization in accordance with lower-risk schedule were valid. The claims were directed to a specific, tangible application in accordance with *Bilski* and were thus patentable. The patent that was directed to a single step of reviewing data, without putting knowledge to any practical use, was merely directed to an abstract principle and was thus invalid. Methods that simply collect and compare data, without applying the data in a step of the overall method, may not be patented.

CASE STUDY AND ACTIVITIES

- Case Study:** Holiday has invented a new software application that will help its clients book their shore excursions more efficiently. Holiday would like to patent this software in as many foreign countries as possible. Holiday has also invented a new method that will help it reduce its U.S. tax liability.
- Activities:** How might Holiday go about patenting its booking software and its tax-reduction method?

ROLE OF PARALEGAL

Paralegals may be involved in a variety of activities relating to international protection of patents. Some of the more common tasks include the following:

- Docketing filing dates and notifying clients that they have 12 months from the filing date of a patent application in the United States to file applications in Paris Convention nations and claim the earlier filing date as a priority date;
- Docketing filing dates and ensuring clients are notified that foreign applications cannot be filed without receipt of a foreign filing license;

- Preparing PCT applications and surveying clients for designations of countries to be elected in the national phase of PCT applications;
- Docketing critical dates involved in PCT applications to ensure rights to pursue patents in foreign countries are preserved;
- Reviewing PCT search reports and written opinions and assisting in reporting results to clients;
- Docketing critical dates to ensure the option to pursue a Chapter II international preliminary examination is preserved, if desired by clients;
- Reviewing PCT examination reports and assisting in reporting results of the reports to clients; and
- Assisting in prosecution of the national phase for PCT applications in desired countries.

INTERNET RESOURCES

Federal statutes governing patents:	http://www.gpo.gov/fdsys
USPTO's business method Web pages:	http://www.uspto.gov/patents/resources/methods/index.jsp
THOMAS:	http://thomas.loc.gov (Congress's website, allowing tracking of legislation by sponsor, key-word, or bill number)
Electronic Frontier Foundation:	http://www.eff.org (information on cutting-edge patent and IP issues)
GigaLaw.com:	http://www.gigalaw.com (website providing legal information on Internet- and technology-related issues and allowing users to subscribe to free, daily updates on breaking IP and patent news)
Patent Law Blog:	http://www.patentlyo.com (breaking news and articles)
Information about and text of treaties:	http://www.wipo.int (information about and text of the Paris Convention, PCT, and PLT) http://www.wto.org (information about and text of TRIPS) http://www.epo.org (information about and text of the European Patent Convention and European Patent Organization)
PCT time limit calculator:	http://www.wipo.int/pct/en/calculator/pct-calculator.html
USPTO information about the PCT:	http://www.uspto.gov (see PCT home page and Chapter 1800 of MPEP)
Lists of patent offices around the world:	http://www.wipo.int/directory/en/urls.jsp

DISCUSSION QUESTIONS

1. Erin has invented a new camera. She would like to secure patent protection in the United States as fast as possible. What might Erin consider doing to secure a patent at the earliest possible time?

2. Assume that the date today is December 1, 2012. A patent issued to ABC on November 1, 2012. XYZ believes this patent is invalid, although it is reluctant to initiate litigation. What might XZY consider doing in order to determine if the ABC patent is valid without initiating litigation?
3. Hal filed (in the United States) for his utility patent on April 14, 2012, and for his design patent on May 8, 2012. If Hal would like to obtain patent protection for these inventions in Japan, when should Hal file his applications in Japan? What treaty or convention controls your answer, and what advantage does filing under this treaty or convention afford to Hal?
4. Emily has been sued for infringing a U.S. patent. The plaintiff has alleged that Emily's infringement was willful because she did not obtain advice of counsel with regard to whether her activities were infringing. Discuss whether this allegation is likely to be successful.
5. What advantage does Chapter II provide a PCT applicant?
6. Tyler, an impoverished college student, needs to pay his first maintenance fee for the only patent he has obtained. What is the fee Tyler will pay to maintain this patent at 3 1/2 years? Why?
7. Assume the date today is December 1, 2011. Chloe has been using and selling a new computer keyboard that she invented. Sam filed a patent application for this same keyboard 14 months after Chloe began using and selling the keyboard. Sam has obtained a patent for the keyboard and has sued Chloe for infringement. What defense should Chloe assert?

USING INTERNET RESOURCES

1. Access the USPTO website and locate information relating to the PCT.
 - a. Locate PCT forms for the national stage and access the Transmittal Letter to the United States (acting as a Designated Elected Office). What does Item 3 allege or provide?
 - b. What is the national search fee if the United States is an international search authority?
2. Access the website of WIPO. Review the list of PCT contracting states.
 - a. When did the PCT enter into force for France?
 - b. Access the PCT Time Limit Calculator. Enter the date August 6, 2011, and give the earliest date for international publication for an application filed on August 6, 2011.
 - c. Access the PCT Glossary. What is the definition of "national stage"?
 - d. Review the PLT. What does Article 6 cover?
 - e. Access WIPO's Patent Search Database Patentscope, and locate the 2011 PCT application for an electric brake in which the inventor was Michael Reich. When was the application filed, when was it published, and who was the actual applicant?
3. Using THOMAS, the USPTO website, or some other source, locate the text of the AIA. How is the word "inventor" defined?
4. Access the European Patent Convention and review Article 52. What does this article provide with regard to the patentability of methods for playing games?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.

PART FIVE



THE LAW OF TRADE SECRETS AND UNFAIR COMPETITION

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CHAPTER 22

Trade Secrets Law

CHAPTER OVERVIEW

Trade secrets consist of any valuable business information that, if known by a competitor, would afford the competitor some benefit or competitive advantage. To be protected, trade secrets must be protected by their owner from unauthorized discovery. If properly protected, trade secrets may last forever.

Although many companies and employers require employees to sign agreements promising to keep key information confidential, trade secrets can be protected even in the absence of written agreement if parties have a relationship of trust and confidence with each other, as is the case in the employer-employee relationship. Thus, employees who learn trade secrets while in the scope of their employment cannot misappropriate those secrets, even after termination of their employment.

Trade secrets are also protected from being appropriated by improper means, such as theft or espionage. Employers typically require certain employees, generally those with access to the employer's valuable information, to sign agreements promising not to disclose confidential information and not to compete with the employer after leaving the job. Covenants not to compete restrict an employee's ability to earn a living and are strictly scrutinized by courts to ensure they are reasonable in regard to time, scope, and subject matter.

A company whose trade secrets are misappropriated may seek injunctive relief to prohibit further use or disclosure of the information as well as monetary damages. Defendants typically assert that trade secret protection has been forfeited due to the owner's failure to employ reasonable efforts to protect the information.

INTRODUCTION

Definition of Trade Secret

Legend has it that the formula or recipe for COCA-COLA® is locked in a vault with only two executives having access. Whether true or not, this legend illustrates a critical business reality: Information that is proprietary to a company and gives it certain advantages over competitors must be protected. Release or dissemination of the information to others may cause economic hardship to (or even total elimination of) the first owner, who would then be faced by competitors trading off and using the information to compete with the owner. The type of information that must be kept confidential in order to retain its competitive advantage is generally called a "trade secret." To illustrate, the secret, handwritten recipe listing 11 herbs and spices developed by Kentucky Fried Chicken founder Harlan Sanders "is safe and sound, locked in our vault," according to a spokeswoman for the company. The company has stated that only a few people know the recipe, and they have signed strict nondisclosure agreements.

A trade secret is any information that can be used in the operation of a business or other enterprise that is sufficiently valuable and secret to afford an actual or potential economic advantage over others. Restatement (Third) of Unfair Competition § 39 (1995). A recipe, a formula, a method of conducting business, a customer list, a price list, marketing plans, financial projections, and a list of targets for a potential acquisition can all constitute trade secrets.

Even negative information can be protectable as a trade secret. For example, information that a certain operating process or technique is *not* effective or that a product is *not* profitable can qualify for protection. There is no requirement that a trade secret be unique or complex. Even something simple and nontechnical, such as a list of customers, can qualify as a trade secret as long as it affords its owner a competitive advantage and is not common knowledge. Generally, to qualify for trade secret protection, information must:

- Be valuable
- Not be publicly known
- Be the subject of reasonable efforts to maintain its secrecy

The rapid pace of technology, which advances the ease with which information can now be quickly disseminated, and the mobility of employees require businesses to devote significant effort to protecting their trade secrets. One 2009 report by McAfee concluded that within 1,000 companies surveyed, the companies had lost an average of \$4.6 million of intellectual property due to security breaches.

If trade secrets were not legally protectable, companies would have no incentive for investing time, money, and effort in research and development that ultimately benefits the public at large. Trade secret law not only provides an incentive for companies to develop new methods and processes of doing business but also, by punishing wrongdoers, discourages improper conduct in the business environment.

The Law Governing Trade Secrets

While trademarks, copyrights, and patents are all subject to extensive federal statutory schemes for their protection, there is no equivalent federal system relating to trade secrets, and no registration is required to obtain trade secret protection. Most

trade secret law arises from common law principles, namely, judge-made case law. The first reported trade secret case in the United States was decided in 1837 and involved manufacturing methods for making chocolate. *Vickery v. Welch*, 36 Mass. 523 (1837). In 1939, the Restatement of Torts adopted a definition of a trade secret, and many states relied on that in developing their body of case law, leading to greater consistency in the development of trade secrets law. Trade secrets are now discussed in the Restatement (Third) of Unfair Competition, which restates in a simple and clear fashion the law relating to trade secrets. Additionally, in 1979, the National Conference of Commissioners on Uniform State Laws drafted the Uniform Trade Secrets Act (UTSA) to promote uniformity among the states with regard to trade secrets law. The UTSA was amended in 1985. The UTSA has been adopted in more than 45 states. Although modifications to the UTSA have been made by various states, in general, most states now share similar trade secret legislation largely patterned after the UTSA. There are some differences between the Restatement and the UTSA. For the most part, however, the Restatement position and the UTSA are consistent in their treatment of trade secrets law. The following definition of *trade secret* has been adopted by the UTSA.

Trade secret means information, including a formula, pattern, compilation, program, device, method, technique, or process that:

- (i) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
- (ii) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

In sum, the law related to trade secrets is derived from case law, state statutes modeled after the UTSA, certain federal statutes (primarily the

Economic Espionage Act, discussed later in this chapter), and the various pronouncements made on trade secrets law by the Restatement.

In addition to the various state statutes and cases that provide a body of trade secrets law, additional protection is often gained through contractual arrangements. Companies routinely require employees with access to confidential information to sign agreements promising not to disclose that information to others and to refrain from using that information to compete with the employer, even after employment has terminated. Similarly, companies that enter into business relationships with each other generally require contractual confidentiality obligations to ensure neither party will use confidential information gained through their business relationship for improper purposes. Terms and breaches of those agreements (variously called “confidentiality agreements” or “nondisclosure agreements”) are generally governed under standard contract law principles. (See Appendix D, Form 16, for a sample confidentiality agreement.)

Interplay of Trade Secrets Law with Copyright and Patent Law

Copyright rights often intersect with trade secrets. For example, a company may be in the process of developing a new software program. While the program is being developed, any documents or material relating to it are likely trade secrets. Employees of the company might be required to sign agreements promising not to disclose information about the software to others. If software is developed for internal use only or is intended for limited distribution, it may retain its character as a trade secret. Once the program is completed or “fixed,” it is automatically protected under copyright law. If the owner wishes to apply for copyright registration, certain deposit materials must be supplied to the Copyright Office. The Copyright Office, however, expressly recognizes

that the source code for a computer program might constitute a trade secret and allows the copyright owner to deposit less than all of the source code or to deposit blocked-out portions of the source code, thereby preserving the trade secret status of the program. Similarly, marketing materials for the program might constitute trade secrets while they are being developed. Once created, they are subject to copyright protection and the owner may apply for copyright registration for the written materials and advertisements. Once the marketing materials are distributed to consumers, they will lose their status as trade secrets but will remain protectable as copyrighted works.

In regard to patents, patent applications remain confidential until a patent is published 18 months after its filing date (unless the applicant certifies there will be no corresponding foreign filing for the invention). Thus, during the first part of the patent application process, an invention might well be protected by trade secrets law. Once a patent is published or issues, however, the invention is fully disclosed, and it cannot be a trade secret. Any protection for the invention arises under patent law. Information that is properly protected as a trade secret may maintain that status indefinitely. In contrast, patents are of a definite duration (20 years from the date of filing of a utility application). Thus, the formula for COCA-COLA is well protected under trade secret law, and protection can last indefinitely, while under patent law, the formula or process would have been disclosed upon issuance of the patent and would have entered the public domain in 1897. In fact, Coca-Cola Co. has approximately 800 U.S. patents (primarily in technologies complementary to the beverage industry such as packaging and vending equipment); however, the product formulation for the COCA-COLA beverage remains a trade secret.

Thus, trade secrets may be copyrightable or patentable. In fact, during the initial process of development of either copyright material or inventions, the

material being developed or invented may well be a trade secret. Once a work is published, copyright protection continues, but trade secret protection is lost. Once a patent is published or is granted, patent protection is available, but trade secret protection is lost. An invention cannot be protected under both trade secret and patent law. Thus, companies should consider a variety of strategies to obtain the most protection for their proprietary materials. Because trade secrets (if properly protected) are eternal, a company may well wish to forgo seeking copyright registration or patent protection and rely on trade secret law to protect the information indefinitely.

Like patents and copyrights, trade secrets can be transferred outright to others or may be licensed to others for use under specified conditions, generally in regard to territory and duration. Such license agreements, however, must contain adequate provisions to protect the confidential nature of the information or its trade secret status will be lost.

DETERMINATION OF TRADE SECRET STATUS

There are several factors to be considered in determining whether information qualifies as a trade secret. Courts following the Restatement provisions relating to trade secrets routinely examine these factors to determine whether a company's information constitutes a trade secret. None of the factors alone is determinative; courts balance these factors and weigh them against each other in determining whether information qualifies as a protectable trade secret.

- ***The extent to which the information is known outside the company.*** Although information may be known to others outside the company and still qualify as a trade secret, the greater the number of people who know the information, the less likely it is to qualify as a trade secret.

Secrecy need not be absolute. The owner of a trade secret may, without losing protection, disclose it to a licensee or a stranger if the disclosure is made in confidence. However, the more widely disseminated the information is, the less likely courts are to protect it. In sum, if information is publicly known or known within a specialized industry, it does not qualify for trade secret protection. Publication of information on the Internet will cause a loss of trade secret status.

- ***The extent to which the information is known within the company.*** Although an employer or company is permitted to disclose confidential information to those with a demonstrated “need to know” the information, if the information is widely known within the company, especially among those who have no business need to know the information, it may not qualify as a trade secret. Companies should implement policies to prevent the inadvertent disclosure of trade secret information and limit dissemination of the material to those who need it to do their work. Thus, while the information may no longer be technically a “secret,” as long as those in possession of the information need to know it to be able to perform their duties, such limited disclosure will not preclude information from trade secret protection.
- ***The extent of the measures taken by the company to maintain the secrecy of the information.*** One claiming trade secret protection must take reasonable precautions to protect the information. Courts are unlikely to protect information a company has not bothered to protect. A company is not obligated to undertake extreme efforts to protect information, but reasonable precautions are required. Thus, companies that require employees to sign non-disclosure agreements, keep confidential information in locked desks or rooms, restrict access to the information, and mark information with legends relating to its confidentiality are more likely to demonstrate successfully that information is a trade secret than those that fail to take such ordinary and reasonable precautions against inadvertent disclosure. Some experts predict that courts will likely require advanced security measures to protect trade secrets transmitted or maintained electronically, including encryption and protocols to ensure confidentiality of messages, authentication of the source of the message, and devices that ensure the recipient cannot deny receiving the message.
- ***The extent of the value of the information to the company and its competitors.*** If information has little value either to its owner or to the owner’s competitors, it is less likely to qualify as a trade secret. Conversely, information that is valuable to a company, such as the recipe for its key menu product, and that would be of great value to the company’s competitors is more likely to be a protectable trade secret. Nonprofit entities can also claim trade secret protection for their economically valuable information (e.g., their lists of donors).
- ***The extent of the expenditure of time, effort, and money by the company in developing the information.*** The greater the amount of time, effort, and money the company has expended in developing or acquiring the information, the more likely it is to be held to be a protectable trade secret.
- ***The extent of the ease or difficulty with which the information could be acquired or duplicated by others.*** If information is easy to acquire or duplicate, it is less likely to qualify as a trade secret. Similarly, if the information is readily ascertainable from observation or can be easily reproduced, it is less likely to be a trade secret. If it would be a straightforward matter to reverse engineer the product, it may not qualify

for trade secret protection. On the other hand, if it can be reverse engineered only with significant expenditures of time, effort, and money, the product may retain its status as a trade secret.

Not all information qualifies for trade secret protection. In *Buffets, Inc. v. Klinke*, 73 F.3d 965 (9th Cir. 1996), the court held that a restaurant's recipes for such American staples as barbequed chicken and macaroni and cheese were not trade secrets because they were so basic and obvious that they could be easily duplicated or discovered by others.

LIABILITY FOR MISAPPROPRIATION OF TRADE SECRETS

Misappropriation of a trade secret occurs when a person possesses, discloses, or uses a trade secret owned by another without express or implied consent and when the person:

- Used improper means to gain knowledge of the trade secret;
- Knew or should have known that the trade secret was acquired by improper means; or
- Knew or should have known that the trade secret was acquired under circumstances giving rise to a duty to maintain its secrecy.

The term *improper means* includes bribery, theft, misrepresentation, breach or inducement of a breach of duty to maintain secrecy, or espionage through electronic or other means. Thus, misappropriation occurs either when a trade secret is lawfully acquired but then improperly used or when the trade secret is acquired by improper means.

Examples of trade secrets obtained through proper means include independent invention of the trade secret (such as would occur if a person independently created a recipe or method identical to one protected as a trade secret), discovery by reverse engineering (assuming the product being reverse

engineered was lawfully obtained), public observation of the item or method, or obtaining the trade secret from published material.

Absence of Written Agreement

While a written agreement prohibiting misappropriation of trade secrets can be enforced through an action for breach of contract, a company's trade secrets can be protected against misappropriation even in the absence of any written agreement between the parties. A party owning trade secrets can bring an action in tort for misappropriation or for breach of the duty of confidentiality, which duty can arise even without an express agreement. Courts will impose a duty of confidentiality when parties stand in a special relationship with each other, such as an agent-principal relationship (which includes employer-employee relationships) or other fiduciary or good faith relationships (such as relationships among partners, or between corporations and their officers and directors, or between attorneys and clients). Courts have consistently held that employees owe a duty of loyalty, fidelity, and responsibility to their employers. Other persons found to be subject to a duty of confidentiality are customers, suppliers, trainees and students, licensees, and independent contractors. In fact, more trade secret cases are brought in tort for breach of confidentiality than in contract for breach of written agreements.

Similarly, courts can find that the parties had an implied contract arising out of their common understanding. For example, if ABC Company is attempting to make a sale to Jones and informs Jones that the ABC product is superior to that of competitors because it involves a new breakthrough in technology and explains the trade secret, courts would likely find that Jones is subject to a duty not to disclose the information. Similarly, if ABC Company explains its trade secrets to its bankers in an attempt to obtain financing, the bankers would likely be precluded from

disclosing or using the information. Such implied contracts to protect the information generally arise when the parties' conduct indicates they intended the information to be kept confidential or impliedly agreed to keep it confidential.

Misappropriation by Third Parties

A number of other parties may also have liability for misappropriation of trade secrets if they knew or should have known they were the recipients of protected information. For example, assume Lee is employed by XYZ Company. In the course of his employment with XYZ Company, Lee learns valuable trade secret information. If Lee leaves his employment with XYZ Company and begins working for New Company, Lee and New Company may be prohibited from using the information. Lee may not misappropriate the information because he was in an employee–employer relationship with XYZ Company, and New Company may be prohibited from using the information if it knows or should know that the information was acquired by Lee under circumstances giving rise to a duty to maintain its secrecy or limit its use. In such cases, XYZ Company would generally prefer to sue New Company inasmuch as it is far likelier to have deep pockets, meaning it is more able to pay money damages than is an individual such as Lee.

If New Company has no reason to know the information was secret or that Lee may not reveal it, New Company would not have liability for such innocent use of the information. Similarly, if trade secret information were innocently obtained by New Company by mistake (e.g., by a misdirected package or letter), New Company would have no liability for subsequent use or disclosure of the information. A mistake or accident that is caused by a lack of reasonable precautions will always destroy trade secret status. Note, however, that if the accident occurred despite reasonable precautions, and New Company

is given notice of the secrecy of the information (e.g., by a letter from XYZ Company informing New Company of the nature of the trade secret and demanding that New Company cease use), New Company may not thereafter use the information unless it has so changed its position based on the information that to preclude New Company from further use would be unjust. For example, assume that after acquiring information from Lee, New Company, mistakenly believing it may use the information, incurs great expense in building a new plant facility so it may use the information in a complex manufacturing process. In such cases, courts often attempt to fashion relief for both parties by requiring the party in New Company's position to pay a royalty or license fee to XYZ for continued use of the information. Companies in New Company's position should protect themselves by requiring employees to verify in writing that they will not use information gained in confidence from previous employers.

One who obtains trade secrets by improper means, such as espionage, theft, bribery, or placing one's own employees at a competitor's place of business, cannot use or disclose the information. For example, in one case, a court prohibited a party from using information gained by hiring a plane to make a low-altitude flight over a competitor's half-completed plant to determine its layout and features. While the plane was properly flying in public airspace, the court held that improper means, namely, means that fell below the generally accepted standards of commercial morality and reasonable conduct, subjected the actor to liability. To require the owner of the plant to erect a roof over the half-completed plant would impose an unreasonable burden and expense on the owner, and thus the measures it took to protect its plant at ground level were reasonable and sufficient. *E.I. du Pont de Nemours & Co. v. Christopher*, 431 F.2d 1012 (5th Cir. 1970).

Finally, a recipient of trade secrets may be liable for misappropriation even if modifications or

improvements are made to the original confidential information if the resulting product or information is substantially derived from the owner's original trade secret.

EMPLOYER-EMPLOYEE RELATIONSHIPS

Ownership of Trade Secrets in the Absence of Written Agreement

Use or disclosure of trade secrets by employees and former employees is a frequently litigated area. While employers should require employees who will have access to trade secrets to sign agreements promising not to disclose the information, even employees who may not be subject to written nondisclosure agreements have an implied duty not to use an employer's trade secrets learned by the employee within the scope of employment. Moreover, this duty survives termination of the employment relationship. Generally, the higher the level of expertise possessed by the employee, the more likely it is that a confidential relationship exists between the employer and employee. Thus, senior executives, engineers, and scientists are typically subject to a higher duty of trust and confidence than more junior employees, such as file room clerks. In no event, however, may an employee steal an employer's trade secret.

If confidential information is learned by or disclosed to an employee in the course and scope of employment, the employee is subject to an implied agreement to maintain the information in secret. Information or an invention discovered by the employee on his or her "own time" (e.g., on weekends or in the evenings) or before or after the employment relationship is owned by the employee. If an employee is specifically hired to develop certain information or to invent, the employer will own the resulting information or invention. In many cases, courts find that if an employee makes a discovery

during employment that is related to his or her duties (even if the employee was not hired for that specific task), the employer is automatically granted a nonexclusive "shop right" in the discovery or trade secret, such that the employer can use the information, royalty-free, both during and after the employee's employment. Because the license to the employer is nonexclusive, the employee is free to market or license the information to others. Note that this shop right concept is a borrowing from patent law (see Chapter 19).

Written Agreements

Employers are generally free to require employees, independent contractors, and consultants to sign express agreements relating to the confidentiality of information. These agreements are usually enforced by courts as long as they are reasonable. The agreements usually include four specific topics: (1) ownership of inventions; (2) nondisclosure provisions; (3) nonsolicitation provisions; and (4) noncompetition provisions.

These provisions may be set forth in separate "stand-alone" nondisclosure agreements or they may be included as part of a more comprehensive employment agreement. Provisions relating to the confidentiality of company information should also be placed in the company's employee handbook or manual, and employees should be required to confirm in writing that they have received the manual. Departing employees should be reminded of their duties to protect the company's proprietary information.

Ownership of Inventions. Most agreements expressly state that any information, inventions, or materials created by the employee in the course of employment are owned by the employer. Better agreements go one step further and state that if for some reason such a clause is not sufficient to

vest ownership in the employer, by the terms of the agreement, the employee irrevocably assigns the information or invention to the employer. Some agreements go even further and include a **trailer clause**, whereby an employee assigns to the employer not only the inventions made during the period of employment but also those invented for some period thereafter. Typically, reasonable trailer clauses are enforceable. Some states have statutes that restrict an employer's ability to require an assignment of inventions. Under the Leahy-Smith America Invents Act, and effective September 16, 2012, an assignee (or one to whom an inventor is obligated to assign an invention) may file a patent application directly. This provision helps large employers streamline the patent application process.

Nondisclosure Provisions. The agreement should prohibit the employee from using or disclosing the employer's trade secrets or confidential information whether during or after employment. The agreement should describe with specificity the information that is to be protected.

Nonsolicitation Provisions. Most agreements prohibit employees from soliciting or encouraging other employees from leaving the employer's business and from soliciting or attempting to "poach" clients or customers of the employer. Nonsolicitation clauses must be reasonable and should be limited in time. In the absence of an agreement otherwise, departing employees may solicit their coemployees to join them at their new place of employment.

Noncompetition Provisions. Most agreements include provisions prohibiting employees from competing against the employer both during and after the term of employment. Noncompetition clauses are also referred to as *restrictive covenants*, and they are enforceable in most states if they are

reasonable. Because a covenant precluding an employee from exercising his or her only trade and earning a livelihood can be so detrimental to an employee, restrictive covenants are strictly construed by courts. In California, **noncompetition agreements** are automatically void as a restraint against trade because they preclude people from changing jobs and engaging in their lawful professions (unless they occur in connection with the sale of a business). In fact, in one California case, Aetna Inc. was ordered to pay a former employee \$1.2 million after the employee was fired because she refused to sign Aetna's noncompete agreement that it used in all states. The jury found that Aetna knew such covenants were violations of California law but attempted to enforce the agreements anyway.

A variety of factors are taken into account in determining whether such covenants are enforceable:

- **Purpose.** Courts often consider whether the restriction is related to a legitimate business purpose of the employer. A restriction by McDonald's Corporation that its food handlers could not later work for any other restaurants would likely be unenforceable, while a restriction by United Airlines that its senior engineers could not later work for other competitor airlines would likely be enforced by a court. The restriction by McDonald's serves no legitimate public purpose and no legitimate business need of McDonald's. On the other hand, if United Airlines has carefully recruited its top personnel, trained them, and invested time and money in teaching them its techniques and processes, it would be inequitable for a competitor to reap the advantage of this investment of time and money. Thus, only employees with access to proprietary information should be required to sign noncompete agreements.
- **Reasonableness.** The restriction must be reasonable in regard to scope, duration, and geographic

area. Thus, a prohibition by United Airlines that its senior engineers could not work for any other airlines in the United States in any capacity for 20 years would likely be struck down as unconscionable. A prohibition that senior engineers could not work for other competitor airlines for one year in a competitive capacity within a 100-mile radius of any United Airlines facility would be more likely to be enforced. In one case, a court held that a one-year noncompete agreement was too long in the fast-paced and dynamic Internet sector. The agreement should carefully define the type of business or competitor for whom the employee may not work.

- **Consideration.** Many states require that a covenant not to compete be supported by adequate consideration. Thus, noncompetition agreements are often entered into when the employee enters the employment relationship. In some instances, when employers award bonuses or salary increases, they use this fresh consideration as an opportunity to bargain for a noncompetition clause.

If a noncompete clause is struck down by a court (because it is too broad in regard to scope or territory or too long in duration), some courts will reform the covenant (a technique often called **blue penciling**) and enforce it in regard to a more reasonable territory or length, thus making it fit the parties' intentions rather than striking the entire covenant. Many noncompete clauses contain such built-in protection by providing that if the covenant is found to be unenforceable, a court may fashion an appropriate covenant or that if part of the covenant is struck down, the remainder will be valid. In the event of any doubt or ambiguity, the covenant not to compete will be construed against the employer and in favor of the employee.

Even those states that strictly scrutinize non-compete agreements will enforce them in certain

situations, such as one bargained for in connection with the sale of a business. For example, if Long purchases Crosby's business at a substantial sum, it would be inequitable to allow Crosby to immediately reenter the market and compete against Long. Thus, a court would enforce a noncompete covenant made by Crosby.

Noncompete clauses must be carefully drafted to ensure they comply with state statutory and case law. Similarly, careful drafting is needed to ensure the employee does not find a loophole to circumvent the restriction. For example, if the covenant merely precludes employment with a competitor, the employee could establish his or her own business or could serve as a consultant to a competitor. Thus, the provisions in a noncompetition agreement or clause should be drafted to afford the employer the protection it needs.

Finally, courts generally will not enforce a restrictive covenant if the employee has left employment due to the employer's breach of the employment agreement. Otherwise, an employer could hire uniquely talented individuals, have them sign covenants not to compete, refuse to pay them, and still reap the benefits of precluding them from working for others. (See Appendix D, Form 14, for a sample nondisclosure and noncompetition agreement.)

PROTECTION FOR SUBMISSIONS

Submissions to Private Parties

In many instances individuals wish to submit an idea for an invention, process, game, or entertainment show to a company or business in the hope that the company will market and develop the idea and the individual will be compensated for the idea. For example, assume that Sanders has developed an idea for a new board game that he believes has great potential. Because Sanders cannot mass-produce and mass-market the game, he decides to write a letter and submit the idea to Hasbro, a well-known company in

the game and entertainment field. Because ideas are not protected under copyright law, Sanders faces a dilemma: to pique Hasbro's interest, he must describe the game in sufficient detail that it can fully evaluate the game; yet, by describing the game, he runs the risk that Hasbro will appropriate the idea and develop it on its own, cutting him out of the picture.

Idea submission disputes frequently arise in the entertainment industry. In one case, an individual claimed that the producers of the *Cosby Show* misappropriated her idea for a television program portraying a wholesome and loving African American family. A court held there was no misappropriation inasmuch as Bill Cosby had earlier discussed the concept with a number of other people and the idea was so general as to lack the element of concreteness to be protectable. *Murray v. NBC*, 844 F.2d 988 (2d Cir. 1988). In another case, writer Art Buchwald claimed that the movie *Coming to America* with Eddie Murphy misappropriated his written submission for a similar movie, for which Paramount Pictures had agreed to pay him a royalty if a movie was made based upon his idea. Although the idea was changed slightly by the studio, the court held that the studio had misappropriated Buchwald's submission and entered judgment for Buchwald.

The solution to such a dilemma is for the "inventor" to submit the idea pursuant to an evaluation agreement, or submission agreement, whereby the

other party agrees to evaluate the idea only for the purpose of considering a future transaction between the parties and further agrees not to circumvent the submitter or to disclose the idea to others. The parties agree that if the recipient decides to develop and use the idea, the parties will negotiate further for compensation to the submitter. (See Appendix D, Form 15, for a sample evaluation agreement.)

Unsolicited manuscripts and ideas present unique problems. Many producers and companies do not accept unsolicited submissions for fear of lawsuits and often return packages unopened. In many cases involving unsolicited ideas that arrive with no contractual terms or language limiting their future use, courts allow the recipient to develop and market the idea, based on the concept that a person who discloses an idea without first seeking protection has only himself or herself to blame if the idea is taken. Other courts find an implied contract exists, and hold that the recipient has impliedly agreed that he or she will compensate the submitter if the idea is used. Still other courts rely on a theory of unjust enrichment, holding that the recipient would be unjustly enriched if he or she could take the idea, develop it, market it, and make a profit from it, all without compensating the submitter. In those cases, courts award some reasonable compensation or royalty to the submitter. Finally, some courts consider industry practice and custom, and if submitters are



KNOW THE LAW

Because noncompete agreements are so strictly construed by courts, they must be drafted carefully and must be tailored to state law. Before preparing any noncompete agreement, thoroughly review any pertinent state statutes and case law. Rely on state-specific (rather than general) formbooks. Make a practice of reviewing others' noncompete agreements and considering whether language used may be appropriate for future use by clients.

routinely compensated in the industry, even for unsolicited submissions, courts may find an implied contract to compensate the submitter. In any event, the idea must be sufficiently developed or concrete that it can be protected, and it must be something novel rather than something so ordinary that anyone could have conceived of it. In sum, the only way for a submitter to be assured protection for an idea is by written agreement.

Submissions to Government Agencies

Private companies that present bids to government agencies in the hope of obtaining a government contract are often required to disclose confidential or trade secret information to the agency. Under freedom of information acts (both at the state and federal levels), the proposal might later be released to any member of the public requesting the document, thus resulting in loss of confidential information to possible competitors. To protect companies against such disclosure, many freedom of information acts contain exceptions so that parties can designate certain information as a trade secret and thus prevent its release. The protected information is usually blocked out. If a government agency discloses trade secret information, the owner may have a cause of action for an unconstitutional taking of private property and may be awarded compensation if the owner had a reasonable expectation of confidentiality.

DEFENSES TO TRADE SECRET MISAPPROPRIATION

A variety of defenses may be raised by a party accused of misappropriating another's trade secrets. The most commonly asserted defenses are as follows:

- **Lack of secrecy.** A defendant may assert that the owner of the trade secret failed to take appropriate and reasonable measures to protect the trade

secret and the information has thus entered the public domain. Courts will then examine the measures taken by the trade secret owner and determine if they were reasonable under the circumstances. If the information could have been readily protected but was not, courts are likely to hold the owner has lost its rights to the information. Thus, discussions of information at conferences or in publications may result in loss of trade secret protection. Some recent cases have examined whether memorization of information is a defense, holding that reconstruction of a trade secret, such as a customer list, through memorization (as opposed to physically taking or copying the list) is not a defense and is another form of misappropriation.

- **Independent creation.** Just as independent creation is a defense to a claim of copyright infringement, independent creation of information that is a trade secret of another is permissible. As long as a party did not breach a duty of confidentiality or an agreement to hold information in confidence, and did not use improper means in acquiring the information, independent creation will be a defense to a claim of misappropriation. Reverse engineering, namely, the inspection or analysis of a product to determine the method by which it was developed, is generally a protected form of independent creation, assuming the product was lawfully acquired. An assertion that the information lacks protection because it *could have been* reverse engineered is generally successful only when others have in fact reverse engineered the item or when reverse engineering could be easily accomplished.
- **Privilege.** A party may be compelled to disclose a trade secret in the course of some judicial or administrative action. Such disclosure is privileged and is nonactionable. Many written confidentiality agreements require that one called

to testify about a trade secret provide notice to the owner of the trade secret so it may attempt to protect itself by seeking some judicial relief, such as exclusion of bystanders and the media from the courtroom during disclosure.

- ***Unclean hands or laches.*** A defendant may assert that the trade secret owner's conduct is so reprehensible that its "unclean hands" bars any recovery. Additionally, a defendant may assert that the trade secret owner has so delayed in bringing the action that the defendant has been prejudiced by such delay and thus the action should be barred. Laches (an unreasonable delay that prejudices the other party) is often asserted when a defendant has innocently acquired the trade secret and then expended a great deal of time and money in promoting or marketing the information. To require the defendant to cease use in such circumstances may be inequitable.

REMEDIES FOR MISAPPROPRIATION

A trade secret owner may request a variety of remedies from a court. Among them are the following:

- ***Injunctive relief.*** In many cases, a trade secret owner is more interested in ensuring the defendant cease use of the trade secret (or is precluded from commencing use) than in recovering damages. In cases in which money damages are not sufficient to protect a trade secret owner, a court may issue an injunction. Injunctions can be issued to prohibit a party from further using or disclosing the information or to ensure the party does not begin to use or disclose the information if disclosure is threatened, imminent, or inevitable. A court may issue a preliminary injunction during the pendency of the action; if the plaintiff prevails, the injunction may be made permanent. Because trade secrets

can endure forever, the length of the injunction is often difficult to calculate. A court may also issue an injunction to compel the defendant to surrender or destroy trade secret information. In fact, courts may issue injunctions to prevent **inevitable disclosure**, reasoning that even if a former employer cannot show a particular secret has been taken, it is inevitable that key employees will eventually disclose what they know to a new employer. In such cases, even in the absence of a covenant not to compete, courts have enjoined employees from working on particular projects, imposed time limits during which the new employee cannot work for another, or even prohibited employees from working for a new company in any capacity. *Pepsico, Inc. v. Redmond*, 54 F.3d 1262 (7th Cir. 1995). Not all states acknowledge the inevitable disclosure doctrine.

- ***Money damages.*** A trade secret owner whose information has been misappropriated may recover money damages from the defendant. The plaintiff may recover its lost profits as well as the profits made by the defendant. Alternatively, the plaintiff may seek and recover a reasonable royalty arising from defendant's use of the trade secret. Punitive damages may also be awarded in cases in which the defendant's conduct is reckless, willful, and malicious. The UTSA provides that punitive damages not exceed more than twice the compensatory damages awarded. Damages can run into the millions. For example, in 2005, a California jury ordered Toshiba Corp. to pay \$380 million in compensatory damages and \$84 million in punitive damages for the theft of Lexar Media's trade secrets related to digital cameras and camera phones.
- ***Attorneys' fees and costs.*** In most cases, the parties bear their own attorneys' fees and costs. The UTSA, however, provides that reasonable attorneys' fees may be awarded to the prevailing party if bad faith or willfulness is shown.

TRADE SECRET LITIGATION

If a trade secret is disclosed in violation of a confidentiality agreement and the parties cannot resolve the dispute themselves, an action for breach of contract may be brought, similar to any other breach of contract action. The plaintiff may add other causes of action as well, for example, for misappropriation in violation of a state trade secret law. If no written agreement exists, the plaintiff must rely upon case law or state statutes protecting trade secrets, or both.

To protect itself against a lawsuit by another alleging trade secret violations, companies should require new employees who will have access to confidential information to acknowledge in writing that accepting employment with the new company does not violate any other agreement or violate any other obligation of confidentiality to which the employee may be subject. Additionally, employees should be required to represent that work they perform for the employer will be original work and will not infringe any other party's rights.

If grounds for federal jurisdiction exist (the parties have diverse citizenship and the claim exceeds \$75,000), the action may be brought in federal court. If the action also involves copyright or patent, it must be brought in federal court. Otherwise, the action will be brought in a state court. If the action is instituted in federal court, a federal court will apply state law inasmuch as there is no general federal trade secret law. The UTSA provides that an action for misappropriation must be brought within three years after misappropriation is discovered or reasonably should have been discovered.

In federal court, the action will be governed by the Federal Rules of Civil Procedure relating to federal civil actions generally. These rules set the times for responding to the complaint, matters pertaining to motions and discovery, and any other litigation-related matters. Most states have rules relating to civil procedure that are modeled substantially after the Federal Rules of Civil Procedure and likewise govern

the litigation. After the complaint is filed, the defendant will respond by filing an answer, usually denying that any breach of agreement or misappropriation has occurred and asserting various defenses. If the defendant has a cause of action to assert against the plaintiff relating to the trade secret, it must be asserted by way of a counterclaim in the litigation so that all disputes between the parties relating to the information can be resolved at the same time.

After the complaint, answer, and counterclaim have been filed, various motions may be made. Discovery will commence. The plaintiff and defendant will take depositions to obtain testimony from those who may have information about the case. For example, the plaintiff may depose individuals in the defendant's company to determine whether they were instructed to misappropriate the plaintiff's information. Interrogatories may be served on either party to obtain information, such as to inquire about experts either side may intend to call, how damages such as alleged lost profits were calculated, or to determine the existence of pertinent documents.

Ultimately, if the matter cannot be resolved by private agreement, it will proceed to trial. The trade secret owner must prove misappropriation by a preponderance of the evidence. Either party may request a jury trial; otherwise, a judge will render the decision. Appeals may follow.

One of the difficult issues in trade secret litigation arises from the fact that the trade secret sought to be protected often must be disclosed in the litigation so the judge or jury can evaluate whether the information is sufficiently valuable that it affords its owner a competitive advantage. Similarly, the owner's methods of protecting the information often must be disclosed so the fact finder can determine whether the owner has taken reasonable measures to protect the alleged trade secrets. Thus, the dilemma faced by trade secret owners in litigation is that they must disclose the very information they seek to protect. Courts can fashion a variety of means to protect the information, from issuing protective orders

(prohibiting the parties and their counsel from any further disclosure), to holding private hearings in the judge's chambers, to closing the courtroom to the public, to sealing court records.

As technology progresses and the value of certain communication and entertainment inventions increases, trade secret litigation is becoming an increasingly common and high-stakes occupation. Damage awards may run into the millions. For example, in 2011, a jury awarded MGA Entertainment \$88.5 million in damages arising out of Mattel's theft of MGA's trade secrets relating to its "Bratz" line of dolls. The trial judge then reduced the award to \$85 million and also awarded MGA \$85 million in exemplary damages due to Mattel's willful and malicious conduct. Attorneys' fees and costs were also awarded. At the time of the writing of this text, Mattel stated it planned to appeal the decision.

TRADE SECRET PROTECTION PROGRAMS

Because trade secrets are legally fragile and may be lost by inadvertent disclosure or failure to reasonably protect them, companies should implement trade secret protection programs to safeguard valuable information. While it is common for businesses to assume that only scientific and technical data constitute trade secrets, protection is available for a much broader range of subjects, such as customer lists, marketing plans, hiring tactics, and other information that would be valuable to a competitor, and that are common to many companies, not merely those engaged in scientific endeavors.

Because trade secret protection can last indefinitely, businesses should devote proper attention to the methods used to ensure confidentiality of information. Companies that value their trade secrets should implement trade secret protection programs. Developing programs and measures to protect trade secrets is an easy way to demonstrate to a court that

an owner values its information and takes appropriate measures to maintain its secrecy. Such programs consist of several elements.

Physical Protection

There are a variety of tangible measures a company can implement to protect trade secrets, including the following:

- Safeguarding information under lock and key
- Protecting the information from unauthorized access
- Conducting background checks of employees who will have access to key information
- Forbidding removal of protected information from the company premises or certain rooms
- "Badging" doors and entrances so access beyond the company's reception area requires key code or bar code access and so that employee whereabouts is monitored
- Retaining adequate security during evenings and weekends either through alarm systems or security services, including surveillance cameras
- Ensuring tours of the company premises do not expose outsiders to valuable processes or information
- Marking materials with legends or stamps such as "Confidential—Trade Secret Information"
- Using checkout lists when valuable equipment or information is removed from its normal location
- Monitoring activities of former employees who had access to confidential information and monitoring trade journals for articles that may show a competitor has gained access to company trade secrets
- Ensuring no one person has access to critical information but rather that several people "share" parts of the information
- Implementing inventory control systems (such as numbering each copy of valuable written materials and retaining a log showing which employee received which document)

- Securing computers with password or encryption protection and monitoring devices to track which employees access certain information
- Requiring use of paper shredders for disposal of sensitive documents
- Designating a person to be responsible for trade secret information and release to others (including the media), and for reviewing bids, proposals, marketing materials, and plans by employees to publish articles or speak at conferences
- Implementing photocopying policies and maintaining logbooks or electronic monitoring of copying
- Monitoring employees' use of e-mail and the Internet to ensure confidential information is not being disseminated (as long as employees are notified beforehand that use of e-mail and the Internet must be for business purposes only and that the employer may monitor use)
- Conducting exit interviews with employees to obtain return of company materials and to remind them of their obligations not to use or disclose proprietary company information
- Including notices on facsimile coversheets and e-mail communications that the communication is intended only for the designated recipient, and if it is received in error, the party who mistakenly received it must return it to the sender
- Using encryption technology and antivirus protection programs to protect information stored on computers
- Making sure computers and handheld devices such as iPhones are "wiped" before they are disposed of
- Educating employees on trade secrets and protection of trade secrets
- Requiring visitors to the premises to sign in and wear badges
- Ensuring information retained on computers is available only on company networks so that access can be easily tracked

Most companies will not need to implement all of the measures described. Courts do not require absolute secrecy or that extreme measures be taken to protect information. Rather, reasonable measures will be sufficient to protect the status of information as trade secrets.

Some new high-tech devices are gaining popularity in the race to protect trade secrets, including electronic chips that track the location of sensitive documents and software that monitors content inside computer networks and also monitors employee activity. Home Depot Inc. operates a "secret" 88,000-square-foot Innovation Center, where it tests new products and marketing. The lab is in an unmarked building in a typical office park, and visitors must pass through a metal detector that scans for camera phones.

Contractual Protection

Another method of protecting trade secrets is by contract, namely, requiring those with access to the information to agree in writing not to disclose the information to others or use it to the owner's detriment. Similarly, in licensing arrangements, trade secret owners should ensure the license agreements contain sufficient protection for trade secret information. Employers should use noncompetition agreements (when permitted by state law) to ensure former employees do not use material gained on the job to later compete against the employer. Even without formal contracts, a company should include protection policies in its employee handbooks, routinely publish reminders about confidentiality in company newsletters and through e-mail messages, and remind employees of their duties during their initial orientations and during exit interviews conducted when the individuals leave the company's employment.

With the advent of the Internet and the increased ease of electronic communications, employers have become concerned about the loss of trade secrets

through dissemination over the Internet. It has been held that “once a trade secret is posted on the Internet, it is effectively part of the public domain, impossible to retrieve.” *Religious Tech. Ctr. v. Lerma*, 908 F. Supp. 1362, 1368 (E.D. Va. 1995). Thus, employers have a legitimate interest in monitoring the electronic communications of their employees. Generally, employers have broad discretion to regulate the use of electronic communications in the workplace so long as the employees have been informed that the employer may do so. Many employers now adopt Internet use policies (see Chapter 5) to inform employees that their electronic communications may be monitored and to set forth appropriate guidelines for use of the Internet and e-mail.

Intellectual Property Protection

Companies can also rely on other complementary methods of protection to safeguard trade secrets. Any material that qualifies for copyright protection may be protected by registration or, at a minimum, by ensuring a copyright notice is placed on the material or document to afford notice to others of the owner’s right and interest in the material. Inventions may be subject to patent protection, and trademarks should be fully protected by applying for registration.

NEW AND INTERNATIONAL DEVELOPMENTS IN TRADE SECRETS LAW

New Developments

Perhaps the newest developments in trade secrets law have arisen out of the ease of electronic communication. Because information can be readily obtained by computer and then similarly disseminated to others with a touch of a keystroke, companies are investing greater time and money in ensuring their communications systems are secure. While physical methods

of protecting trade secrets (such as locked drawers, restricted access to information, marking information with legends, and so forth) have always been favored by courts, companies should now consider protecting their information by electronic security measures. Methods such as use of passwords, encryption and coding of documents, and restricting access to information placed on computers are now being examined by courts in attempting to determine whether an owner has taken sufficient measures to protect its proprietary information.

Another newer development in trade secrets law is the use of criminal statutes to punish wrongdoers. In 1996, Congress enacted the Economic Espionage Act of 1996 (18 U.S.C. § 1831, et seq.), which provides criminal penalties for the intentional theft or attempted theft of trade secret information that will benefit foreign governments and for the theft of trade secrets related to products produced or placed in interstate commerce. The Act thus criminalizes all types of trade secret theft, from theft by foreign governments to theft by disgruntled employees. Theft of information by physical as well as electronic means is prohibited. The U.S. Attorney General can initiate a civil action to enjoin threatened theft, violators may be imprisoned, and fines can be imposed of up to \$10 million for foreign espionage and \$5 million for other trade secret theft. The criminalization of the theft of trade secrets was likely due to the increased incidence of economic espionage. The increasing importance of intellectual property has led to a shift from the theft of tangible physical property to theft of intellectual assets. The 2009 McAfee report stated that its respondents reported a total IP loss of \$559 million in 2008. The FBI estimates that as much as \$200 billion is lost annually in the United States due to economic espionage.

Theft of tangible property containing trade secrets (such as documents or discs) and transporting it across state lines may be a violation of the National Stolen Property Act (18 U.S.C. § 2314). Federal mail

and wire fraud statutes are also used to punish theft of trade secrets. Many states have similar statutes that are used to deter and punish misappropriation of trade secrets.

International Developments

Because trade secret information is generally lost once it is disclosed (assuming proper precautions have not been taken), companies intending to do business internationally must ensure that their trade secrets are protected in foreign countries so that inadvertent disclosure abroad does not cause worldwide loss of protection. Just as is the case in the United States, theft of trade secrets is a crime in most foreign countries. Moreover, the North American Free Trade Agreement (NAFTA), entered into by the United States, Canada, and Mexico in 1991, complements U.S. trade secrets law and requires member countries to protect trade secrets from unauthorized disclosure or use. In response to NAFTA, Mexico amended its laws to allow litigants to bring civil actions to enjoin threatened or existing trade secret violations.

In 1994, the General Agreement on Tariffs and Trade (GATT, now the WTO) was concluded

by the major industrialized nations of the world, including the United States. The WTO provides for adjudication of trade secret disputes, and under Trade-Related Aspects of Intellectual Property Rights (TRIPS), member countries must provide effective remedies for misappropriation of trade secrets owned by residents of other member countries. Thus, all member nations of WTO have measures similar to those in the United States for protecting trade secrets, thereby ensuring that companies that wish to do business in other WTO member countries can do so with the knowledge that their valuable trade secret information will be protectable.

Note that the Economic Espionage Act of 1996 discussed earlier applies not only to conduct within the United States but also to conduct occurring outside the United States if the offender is a natural person who is a citizen or permanent resident alien of the United States or if an act in furtherance of the offense was committed in the United States.

Additionally, safeguards such as employment and nondisclosure agreements and limiting access to confidential information through both internal and physical measures may help to maintain the status of trade secrets in foreign countries.

TRIVIA

- In 2008, the secret recipe for KFC's blend of herbs and spices was moved in an armored car to an undisclosed location for five months while the company upgraded its security systems.
- Only four people know the recipe for Krispy Kreme donuts.
- Reportedly, no one is allowed to watch the process of making the creamy center in Oreo cookies.
- In May 2007 a former Coca-Cola secretary was sentenced to eight years in prison for conspiring to steal Coke's trade secrets and offering them to PepsiCo (which reported the matter to Coke).
- According to the Society for Human Resource Management, about one-half of all companies require employees to sign nondisclosure agreements.
- According to a 2005 survey by the American Management Association, about 75 percent of large U.S. companies actively monitor and review employee e-mail and Internet usage.

TRIVIA

CHAPTER SUMMARY

A trade secret consists of any information that its owner has reasonably protected and that, if known by a competitor, would afford some commercial advantage or benefit. If properly protected, trade secrets may exist forever. Trade secrets are protectable even in the absence of written agreement if the parties enjoy a relationship of trust and confidence (as is the case in employer-employee relationships). Trade secrets are also protected from appropriation by improper means such as theft, bribery, or espionage.

Although trade secrets can be protected even without a written agreement, such an agreement is advisable. Agreements with key employees should also include noncompete clauses. While strictly scrutinized by courts as possible restraints against trade, such noncompete provisions are enforceable in most states as long as they are reasonable in time, territory, and scope.

A trade secret owner may obtain injunctive relief or monetary damages, or both, if a trade secret has been misappropriated. Criminal penalties may also be assessed against the violator. A trade secret, however, will not be protected by a court if its owner has not exercised reasonable efforts to maintain its secrecy.

Companies should implement aggressive trade secret protection programs to ensure the protectability of valuable information. Information can be protected by physical barriers (such as lock and key), contractual provisions prohibiting disclosure, and by taking advantage of protection available under copyright and patent laws.

CASE ILLUSTRATION

MAINTAINING TRADE SECRET STATUS

- Case:** *Smith v. Healy*, 744 F. Supp. 2d 1112 (D. Or. 2010)
- Facts:** Plaintiffs showed defendants their newly invented door-lock light, and the parties agreed that the defendants would help plaintiffs manufacture and sell the product. The parties' relationship terminated, but the defendants continued to market and sell the product. Plaintiffs sued defendants for violation of trade secrets, among other causes of action.
- Holding:** The court held that the product was not entitled to trade secret status because the plaintiffs had not made reasonable efforts to maintain the secrecy of the product. The plaintiffs had displayed the door-lock light and distributed flyers about it at a trade show and displayed it on their website. Under such circumstances, the product lost its trade secret status.

CASE STUDY AND ACTIVITIES

Case Study: Holiday is planning a new series of cruises, targeted at young families. The plans are based on a number of surveys and market studies Holiday has commissioned. Only five of Holiday's top executives know about these planned family-friendly cruises that will include specific itineraries and activities aimed at families. One of the executives, Ellen, has just been hired by Carnival Cruises. Ellen is subject to a written non-disclosure agreement with Holiday, by the terms of which she is bound not to disclose any of Holiday's confidential information for three years. Ellen is not subject to a non-competition agreement.

Activities: Discuss whether Holiday's planned family-friendly cruises qualify as trade secrets and whether Ellen can be prohibited from working for Carnival Cruises.

ROLE OF PARALEGAL

Paralegals engage in numerous activities related to trade secret protection, including the following:

- Conducting trade secret audits to ensure confidential information is protected;
- Drafting guidelines for clients to follow in implementing trade secret protection programs;
- Reviewing client documents to ensure materials are clearly marked with notices regarding their confidentiality;
- Drafting notices for clients to place in newsletters, near photocopy machines, and in prominent locations throughout offices reminding employees of the need to keep company information confidential;
- Reviewing confidentiality clauses and employment agreements entered into with key employees to ensure client information will be maintained in confidence;
- Drafting nondisclosure and noncompete agreements; and
- Conducting state-by-state research regarding enforceability of noncompete clauses.

INTERNET RESOURCES

Uniform Trade Secrets Act:	http://www.nccusl.org (website of the National Conference of Commissioners on Uniform State Laws)
Trade Secrets Home Page:	http://tradesecretshomepage.com (website of attorney R. Mark Halligan offering excellent information about trade secrets, articles, and links to other resources)
Employment agreements:	http://www.allaboutforms.com (website offering sample forms for noncompete agreements, confidentiality agreements, and employee invention agreements, which can be used as models and drafting guides)
Industrial espionage:	http://www.ncix.gov/index.html (Office of the National Counterintelligence Executive offering information and statistics on foreign and industrial espionage)

DISCUSSION QUESTIONS

1. Benjamin Moore Paints knows a complex process for making its paints. In fact, this process is known by many other paint manufacturers, but it is not known outside the paint industry. May the process qualify as a trade secret? Discuss.
2. Ana purchases facial moisturizer made by Oil of Olay at her local Target store and, by the process of reverse engineering, determines the ingredients of the product. Discuss whether Ana has violated any trade secrets of Oil of Olay.
3. Ana bribes an employee of Revlon to provide her with makeup remover so she can reverse engineer it to determine its ingredients. Discuss whether Ana has violated any trade secrets of Revlon.
4. Gino, an employee of Burger King who works in its accounting department, has been asked to sign a noncompete agreement that would prevent him from competing against Burger King anywhere in the United States for five years. Discuss the validity of such a provision.
5. ABC Inc., a company with 500 employees, routinely posts its “Plans and Developments” in the employee lunchroom. Discuss whether the Plans and Developments document qualifies as a trade secret.
6. Georgia is negotiating for a bank loan. During the process of the negotiations, she informed one of the bank’s managers that she needs the loan because she has a method to improve wireless communications, which method she discusses in detail with the bank manager. Discuss whether the information qualifies as a trade secret and whether the bank manager has a duty to maintain the information in confidence.
7. Maria, a rank and file employee of XYZ Inc., was employed with the company for three months. Discuss whether the company may enforce a covenant not to compete against it for three years.

USING INTERNET RESOURCES

1. Review the Economic Espionage Act.
 - a. What section is violated if one sketches or draws another’s trade secret product?
 - b. What is the maximum imprisonment for stealing a trade secret that would benefit a foreign country?
2. Review the UTSA on the website of the National Conference of Commissioners on Uniform State Laws.
 - a. Review the Act Summary. How is trade secret defined in the Summary?
 - b. Review the text of the Final Act relating to damages. When may exemplary damages be awarded?
 - c. Review the text of the Final Act relating to preserving secrecy. How might a court preserve the secrecy of an alleged trade secret?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



CHAPTER 23

Unfair Competition

CHAPTER OVERVIEW

The term *unfair competition* is a broad term covering a wide variety of deceptive practices in the marketplace. The law of unfair competition continues to evolve with changes in the marketplace so that deceptive infomercials and false advertising on the Internet can be prohibited, just as their earlier print counterparts are.

The most commonly alleged forms of unfair competition are:

- Passing off (selling one's goods as those of another)
- Misappropriation (the taking of another's intangible commercial property right)
- Infringement of the right of publicity (appropriating another's identity or persona for commercial purposes)
- False advertising (making false or deceptive representations about the nature of one's own goods or services)
- Product disparagement (making false or deceptive representations about another's goods or services)
- Dilution (use of a mark that is likely to cause blurring or tarnishment of another's famous trademark or service mark)

- Infringement of trade dress (causing likelihood of confusion with the distinctive product image or overall design or appearance of another's product or service)

There is considerable overlap in the theories used by injured parties to protect their business property interests against deception and fraud, and the same act may give rise to several causes of action. Thus, a misleading advertisement may constitute passing off, false advertising, and product disparagement. For example, the Fifth Circuit Court of Appeals held in 1998 that a tavern's unauthorized use of the name "The Velvet Elvis" could have constituted trademark infringement, unfair competition, trademark dilution, and violation of the right of publicity. *Elvis Presley Ent. Inc. v. Capece*, 141 F.3d 188 (5th Cir. 1998). Moreover, Section 43 of the Lanham Act (15 U.S.C. § 1125), often referred to as a "national unfair competition statute," also protects against a wide variety of false and misleading commercial practices. Finally, the Federal Trade Commission (FTC) may also take action to protect consumers from false and deceptive trade practices. Thus, injured parties often rely upon a wide variety of theories to protect their business goodwill or intellectual property from unfair tactics in the commercial arena.

INTRODUCTION

The law of unfair competition is based upon the notion that individuals should be protected from deceptive and improper conduct in the marketplace. The law of unfair competition is found in case law, in state statutes prohibiting unfair business practices, in specific federal statutes, and in regulations promulgated by the FTC, the federal regulatory agency charged with protecting consumers from unfair or

deceptive acts and practices. The law of unfair competition continues to evolve as new methods of conducting business arise, such as electronic offers and sales through telemarketing, television infomercials, and the Internet.

There are a number of theories and actions that can be used by injured parties to protect against unfair competition. For the most part, the remedies are designed to protect intangible interests, such as one's interest in one's business reputation, goodwill, and so forth. For that reason, unfair competition law often protects intellectual property rather than real property or personal property and promotes a well-functioning marketplace.

In many instances, actions for unfair competition will be combined with other actions (such as those alleging trademark, copyright, or patent infringement) to provide a plaintiff a wide array of possible remedies. Thus, for example, in the *Starbucks* case (discussed later in this chapter), the plaintiff asserted federal claims for trademark dilution, infringement, and unfair competition; state law claims for trademark dilution, deceptive acts and business practices, and false advertising; and common law claims of unfair competition. In other instances, a plaintiff may not have a protectable trademark, copyright, or patent, and thus must rely entirely on unfair competition theories to provide relief against unscrupulous business practices. For example, a designer of scarves imprinted with fanciful designs may decide against applying for a design patent due to the expense involved and the short life cycle of fashion products. Protection against copying of the design may thus be available under the umbrella of unfair competition rather than under design patent law.

Section 43 of the Lanham Act (15 U.S.C. § 1125) provides a federal cause of action to protect consumers against unfair competitive business practices. It is effectively a national unfair competition statute prohibiting a broad range of wrongful business activities and providing a wide array of remedies to

plaintiffs. Moreover, Section 43(a) protects unregistered marks and names, such as those that do not qualify for federal trademark registration because they are descriptive or perhaps used only in intrastate commerce.

The most common types of unfair competition are discussed more fully in this chapter but can be briefly summarized as follows:

- **Passing off (or palming off).** “Passing off” occurs when one party attempts to pass off or sell his or her goods or services as those of another.
- **Misappropriation.** Misappropriation exists when one party takes or uses another’s property that the original owner created or secured at effort and expense.
- **Right of publicity.** A person’s name, identity, voice, likeness, and persona are protected against unauthorized commercial exploitation through the right of publicity.
- **False advertising.** Making false or deceptive representations about the nature of one’s goods or services is actionable as false advertising.
- **Product disparagement.** Making false representations about the nature of another party’s goods or services is actionable as product disparagement.
- **Dilution.** Using another’s famous mark in a way that is likely to cause blurring of its distinctive quality or tarnishing it by harming its reputation is actionable as dilution.
- **Infringement of trade dress.** Adopting the overall concept of another’s distinctive packaging or product image, generally called its “trade dress,” so as to likely confuse consumers is an infringement of trade dress.

Generally, injured parties notify the wrongdoer prior to initiating litigation. A cease and desist letter is usually sent, detailing the wrongdoer’s acts and demanding that the wrongdoer cease and desist his or her activities. (See Chapter 6, Exhibit 6–4, for

a sample cease and desist letter used in trademark infringement matters.) If there is no resolution, the injured party may initiate legal action. In many instances, a plaintiff will allege several causes of action. For example, if a competitor of Nike uses a “swoosh” symbol similar to that registered to Nike, Nike may allege trademark infringement, passing off, dilution of its famous mark, and violation of Section 43(a) of the Lanham Act, prohibiting a false designation of origin. If another shoemaker sells an athletic shoe that copies the overall appearance or image of Nike’s shoes, such conduct may be prohibited as infringement of trade dress.

In addition, just as it does for allegations of trademark, copyright, and patent infringement, the International Trade Commission may conduct investigations of other forms of unfair competition, including trade dress infringement, passing off, and false advertising, and it may block offending goods from entry into the United States.

PASSING OFF

Passing off (also referred to as *palming off*) occurs when one party attempts to pass off its (usually inferior) goods under the pretense that they are the goods of another. Passing off may exist when one party affixes another’s trademarks to its goods, adopts a trademark or trade name that is so similar to that of another that consumers are deceived about the source of the product or service, substitutes the goods of one party when the goods of another maker were ordered by the consumer, or copies features of another’s goods so that its goods are confusingly similar to those of the other. The essence of the action is some representation by a defendant, whether direct or indirect, that causes consumers to be deceived about the source of their purchases. For example, if a tavern owner sells a lower quality cola as COKE® or a merchant sells its own inferior

headphones as BOSE® headphones, passing off has occurred because the sellers have represented their own goods as those of someone else.

A variety of passing off is **reverse passing off**, which occurs when a defendant markets a plaintiff's product as his or her own, in essence, "taking credit" for the plaintiff's goods. Reverse passing off typically occurs when a defendant purchases a plaintiff's goods, removes the plaintiff's mark, and then resells the item with the defendant's own mark (or with no mark at all).

Actions alleging passing off are often brought when a case of trademark infringement does not lie. For example, a business owner may not be able to secure trademark protection for his or her business name because the name is primarily merely a surname or it is so descriptive it does not qualify for protection as a trademark. The use of a similar name by another party in connection with similar products and services that is likely to cause confusion and deception may thus be remedied by bringing an action alleging that the second party is passing off his or her goods as those of the plaintiff. Passing off may be enjoined, and damages may be awarded to compensate the plaintiff for damages suffered, including lost profits.

Passing off is the earliest form of unfair competition, and the term is used to describe a wide variety of deceptive trade practices. Passing off can occur when a party suggests that its products or services are somehow associated with or sponsored by another, as when a retailer advertises that it is "an authorized dealer of MAYTAG® products," when it is not. Such conduct is harmful to Maytag, which has not only lost a sale but may suffer damage to its reputation inasmuch as improper conduct by the retailer could reflect badly on Maytag. Such a blatantly untrue statement also constitutes false advertising as well as a violation of Section 43(a) of the Lanham Act, which prohibits false designations of origin. In fact, because much of the conduct formerly attacked as passing off

is also prohibited by Section 43 of the Lanham Act, the federal unfair competition statute, fewer state actions alleging passing off are brought nowadays, inasmuch as those actions are dependent upon individual state court interpretations of cases. An action brought under the Lanham Act, however, is federal in nature and provides expanded remedies to plaintiffs such as enhanced damages and attorneys' fees, which are often unavailable under state law.

In brief, passing off one's goods or services as those of another is a form of unfair competition. Actions alleging palming off or passing off are brought less frequently now, because most plaintiffs prefer to bring actions under Section 43 of the Lanham Act, which statutorily prohibits such conduct and provides a federal cause of action with expanded remedies.

The most blatant form of passing off is counterfeiting, namely, selling a product with a "fake" trademark that is an intentional copy of the true trademark. Counterfeiting is common with respect to high-end status products, such as Rolex watches, Louis Vuitton and Kate Spade handbags, and certain types of blue jeans. The Lanham Act (15 U.S.C. § 1127) defines "counterfeit" as a spurious mark that is identical with, or substantially indistinguishable from, a registered mark. Thus, the knock-off handbags sold by street vendors as Burberry bags, complete with a trademark or label identical to that used by Burberry, are counterfeits. In some cases, counterfeit goods can be dangerous. For example, in 1995, the FTC warned against the use of counterfeit infant formula labeled as "Similac" formula, but which did not have the nutritional content of the "real" Similac formula. Similarly, the FTC is now concerned about counterfeit drugs sold over the Internet that do not contain the medicinal compounds of their "real" counterparts. It has been estimated by the FTC that counterfeit drugs make up 10 percent of the pharmaceutical market worldwide, and that in some developing countries, the percentage of counterfeit pharmaceuticals may be as high as 50 percent.

Similarly, the Motor and Equipment Manufacturers Association estimates that \$3 billion in fake auto parts are sold in the United States alone each year.

Trademark counterfeiting is a federal crime under 18 U.S.C. § 2320, which imposes fines up to \$2 million and jail terms up to 10 years for individuals who engage in counterfeiting activities. Goods used in the counterfeiting operation can be seized. The PRO-IP Act of 2008 increased the penalties for those who recklessly cause or attempt to cause serious bodily injury or death from counterfeit goods. Enforcement of these laws is difficult, however, as street vendors often merely move their location to another corner when confronted. In many cases, trademark owners prefer to deposit their trademark registrations with the U.S. Customs and Border Protection (as discussed in Chapter 6) so it can stop the import of fake goods.

Newer enforcement efforts focus on those in the supply chain that leads to counterfeit goods, such as landlords, shipping companies, and credit card companies. For example, in January 2006, to settle a lawsuit brought by Louis Vuitton, landlords for seven Canal Street properties in New York City promised to evict tenants found selling fake Louis Vuitton bags and agreed to regular inspections of the leased premises by the company's representatives.

In the United States, it is not illegal for a consumer to buy counterfeit goods, although it is in some other countries, such as France and Italy.

MISAPPROPRIATION

The doctrine of **misappropriation** as a form of unfair competition first arose in *International News Service v. Associated Press*, 248 U.S. 215 (1918), in which the Supreme Court held that an unauthorized taking of another's property, in that case, "hot" news information, that it invested time and money in creating was actionable as misappropriation of

property. In *INS*, news information originally gathered by the Associated Press relating to World War I was pirated by International News Service and sold to its customers. Because the news itself, as factual matter, could not be copyrighted, the plaintiff could not sue for copyright infringement. Instead it alleged that its valuable property right had been taken or misappropriated by the defendant. The Supreme Court agreed, noting that the defendant was "endeavoring to reap where it has not sown and . . . is appropriating to itself the harvest of those who have sown." *Id.* at 239–40. Because the defendant was not attempting to convince its subscribers that its news reports were from the plaintiff, an action for passing off would not lie. The defendant was misappropriating rather than misrepresenting.

In recent years, the doctrine of misappropriation has fallen into disfavor due to its somewhat amorphous nature. Thus, many courts have followed *INS* only when nearly identical fact patterns are presented, namely, cases involving the taking of time-sensitive "hot" news, event results, mathematical formulae (such as golf handicapping systems), and indices (such as stock market index report and averages) that are not addressed by copyright or patent law and in which one party has wrongfully exploited another's effort and labor such that he or she is getting a "free ride" on the other's efforts.

RIGHT OF PUBLICITY

Introduction

Some of the most interesting cases in the intellectual property field relate to the rights of individuals to protect their identities from unauthorized commercial use. The **right of publicity** gives individuals, not merely celebrities, the right to control commercial use of their identities or personas. Nevertheless, because the right of publicity protects a commercial interest, the vast majority of cases involve celebrities

inasmuch as they can readily show economic harm when their names, photographs, or identities are used to sell products or suggest a sponsorship of merchandise.

Publicity rights are governed by state law. Nearly 20 states have specific statutes dealing with the right of publicity. Others recognize the right through case law. A few states do not recognize any right of publicity. On the other hand, California, with its large population of celebrities, has extensive statutes and significant case law recognizing the right of publicity. In sum, however, there is no nationwide or federal right of publicity (although the International Trademark Association advocates a federal law protecting the right of publicity), and there is a patchwork of laws across the nation relating to this right.

The right of publicity has evolved from the right of privacy, which protected against unreasonable invasions upon another person's solitude and provided remedies for the disclosure of private information. While the right of privacy, however, protects one's *personal* interests against indignity, hurt feelings, and invasion, the right of publicity protects one's *commercial* interests against wrongful exploitation. The right of publicity allows individuals to protect the marketability of their identities (a property right) and punishes those who would unjustly enrich themselves by appropriating another's fame for profit-making purposes. Unpermitted commercial exploitation of an individual's persona would dilute the value of the persona, making it more difficult for the individual to commercialize his or her identity. Thus, remedies for infringement include injunctions to prevent further exploitation and monetary relief to compensate the individual whose right of publicity has been appropriated (including damages for injury to reputation, recovery of the defendant's profits, and punitive damages in extreme cases).

Courts have articulated a number of reasons for upholding an individual's right to publicity, including the need to protect against confusion that would

arise if consumers were led to believe individuals sponsor or approve products when they do not, the need to incentivize performers who provide entertainment and benefit to society and should thus be provided with a protectable property right in their identities, and the need to prevent unjust enrichment of those who seek to profit from another's talent and often hard-earned fame.

The right of publicity does not apply to non-commercial uses; thus, using another's name, likeness, or identity for news reporting, scholarship, or research is permissible, as long as there is no invasion of privacy or defamation. Most cases involve the unauthorized use of another's identity to promote some product or service, thus suggesting that the individual sponsors or approves the item being advertised. It is not necessary to prove falsity, deception, or likelihood of confusion in order to prevail in an action for infringement of the right of publicity.

Appropriation of Identity

Most states protect more than just a person's name. Thus, unauthorized use of a nickname, voice, likeness, portrait, signature, appearance, identity, or personal attribute (such as customary gestures, clothing, or hairstyle) is prohibited if that use is understood to identify a particular person. Neither intent to deceive nor consumer confusion must be proved. The essence of an action for misappropriation of one's right to publicity is that one's identity was used without permission. Nevertheless, wrongfully using a celebrity's name or likeness to advertise a product may also be actionable as false advertising and unfair competition.

Although it is clear that unauthorized use of a person's name or picture is actionable, there are a variety of other ways in which the right of publicity or related rights can be infringed.

- ***Phrases and nicknames.*** In *Carson v. Here's Johnny Portable Toilets*, 698 F.2d 831 (6th

Cir. 1983), a court prohibited a portable toilet company from using the phrase “Here’s Johnny” in connection with advertising its services, holding that the phrase had become sufficiently identified with the entertainer Johnny Carson to be protected, even though neither his full name nor his picture was used. Disguising a name, such as varying a few letters, will not protect a defendant. Even nicknames are protectable if they are understood to identify the plaintiff. For example, in *Hirsch v. S.C. Johnson & Sons, Inc.*, 280 N.W.2d 129 (Wis. 1979), the use of the word *Crazylegs* to advertise shaving gel was held to infringe the right of publicity of football star Elroy “Crazy-legs” Hirsch.

- **Likeness.** A person’s “likeness,” including a variety of physical features, is protectable against unauthorized use, whether by drawing, cartoons, or look-alikes. Thus, in *Ali v. Playgirl, Inc.*, 447 F. Supp. 723 (S.D.N.Y. 1978), a cartoonish drawing of a black man in a boxing ring that included the phrase “The Greatest” was held to have identified the boxer Muhammad Ali and violated his right of publicity. Similarly, in *Allen v. National Video, Inc.*, 610 F. Supp. 612 (S.D.N.Y. 1985), Woody Allen was able to prohibit the use of a look-alike’s photograph in advertisements for video rental stores inasmuch as the advertisements falsely suggested that Woody Allen endorsed the advertised services. The case was later settled out of court.
- **Voice.** In *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir. 1988), the Ford Motor Company’s use of an impersonator to imitate the singer Bette Midler’s vocal style in advertisements for Ford’s cars was held to be a wrongful misappropriation of her identity. The Ninth Circuit held that while it would “not go so far as to hold that every imitation of a voice to advertise merchandise is actionable . . . when a distinctive voice

of a professional singer is widely known and is deliberately imitated in order to sell a product, the sellers have appropriated what is not theirs . . .” *Id.* at 463.

- **Roles and associated objects.** Imitating a distinctive performing style or persona is actionable. Thus, the roles associated with Groucho Marx and Charlie Chaplin (the “Little Tramp” persona) have been protected from unauthorized commercial exploitation. In *White v. Samsung Electronics America, Inc.*, 971 F.2d 1395 (9th Cir. 1992), the use of a mechanical robot wearing a wig, jewelry, and evening wear posed near a game board similar to that used on the television game show *Wheel of Fortune* was held to create a triable issue of fact regarding whether such use violated game show hostess Vanna White’s right of publicity because the display evoked her identity. Similarly, Fred Rogers (“Mister Rogers”) sued a store for selling T-shirts showing him wearing his well-recognized sweater and bearing a pistol, arguing that the image was wholly inconsistent with his child-friendly persona and violated his right of publicity.

One of the most famous recent right of publicity cases involved robots that appeared to resemble Norm and Cliff from the *Cheers* television sitcom. The robots, named Hank and Bob, were placed at airport bars. The actors who portrayed Norm and Cliff in the television show sued *Cheers*’s trademark and copyright owner for violations of their right of publicity. After seven years of litigation and an appeal to the U.S. Supreme Court, the parties ultimately settled out of court. The Ninth Circuit Court of Appeals, however, had earlier ruled that the actors’ case could proceed and that it was ultimately up to a jury to determine whether the rights of publicity were violated. *Wendt v. Host Int’l Inc.*, 125 F.3d 806 (9th Cir. 1997).

Duration and Descendibility of Right to Publicity

The duration of the right of publicity is subject to much variation. Some states do not provide any protection for deceased individuals. For example, in New York, the right can be asserted only by a living individual. Many experts believe that this view stems from the association of the right of privacy with the right of publicity. Because the right of privacy is personal to the individual and does not survive death, some states similarly hold that there is no postmortem right of publicity.

The majority of states, however, recognizing that the right of publicity is an economic property right, hold that just as one can pass one's other property to one's heirs so that they receive the fruit of one's labors, so too the right of publicity should survive death. To hold otherwise allows others, generally advertisers, to reap a windfall upon the death of a celebrity. Moreover, because an individual can license the right to another to use his or her name or likeness (e.g., the use of athletes' names or photos on sporting goods equipment), clearly indicating the nature of the right of publicity as a property right, the better-reasoned view appears to be that of the majority: The right of publicity is a property right, and like other property rights, it can pass to one's heirs upon death.

On the other hand, there is no real need for the right to exist in perpetuity. It serves little purpose today for the heirs of Benjamin Franklin to be able to control the use of his likeness or name. Thus, in most states, the right of publicity survives death for a stated period of time. For example, in California, the right survives for 70 years after a person's death. Other states recognize varying terms for protection, ranging from 10 years to 100 years. In Utah, unless a person has exploited his or her likeness or identity during his or her lifetime, heirs cannot sue for infringement after the person's death.

State laws that do not recognize postmortem rights of publicity or recognize them for a short period of time can often be circumvented. For example, New York will apply the law of a deceased individual's domicile at death. Thus, celebrities often make sure to claim California or some other state as their domicile. Indiana, another state that is highly protective of the right of publicity, authorizes application of its law as soon as an advertisement enters the state or an "event" occurs within Indiana. Not surprisingly, one company that represents the estates of more than 100 deceased celebrities is headquartered in Indiana. Similarly, in today's climate of national communication and advertising, heirs of celebrities may be able to avoid states that do not recognize postmortem rights (or recognize them only for short time periods) by asserting that the infringing act was committed in some other state and therefore its laws should apply.

Defenses in Right of Publicity Cases

A variety of defenses may be asserted in actions alleging infringement of one's right of publicity. One defense raised is that the plaintiff is not specifically and readily identified by the usage. For example, in *T. J. Hooker v. Columbia Pictures Industries, Inc.*, 551 F. Supp. 1060 (N.D. Ill. 1982), the plaintiff, a wood-carver named T. J. Hooker, was unable to prove he was the specific person identified in the defendant's television program concerning a fictional police officer.

Defendants may also assert that the use was incidental. Brief references or uses of another's identity are usually permissible because they are so fleeting as not to implicate any commercial concerns.

Another defense asserted is that the usage is protected speech under the First Amendment. News reports using a person's name or identity are protected by the First Amendment's freedom of speech clause as long as the use does not extend beyond what is necessary to inform the public of a

newsworthy event. Similarly, use in connection with research and scholarship, because it is not commercial use, is permissible. Courts have clearly held that false or misleading commercial speech is not protected under the First Amendment. Thus, once falsity or deception is shown, a First Amendment defense is generally eliminated.

Use of a person's name, identity, or likeness for purposes of satire, commentary, or parody is protected "fair use." Thus, the biting portrayals of Sarah Palin by the comedian Kristin Wiig on *Saturday Night Live* would likely not support actions for infringement of the right of publicity.

In a 2001 case, the California Supreme Court held that T-shirts decorated with an artist's drawing of the Three Stooges violated the rights of publicity of the heirs of the Stooges because the product containing their likeness did not so transform their image that it became the artist's own expression. The work did not contain significant creative elements but was rather a realistic reproduction of their image. The court noted that by contrast, Andy Warhol's famous silkscreens of celebrities are permissible because they go beyond mere commercial exploitation of celebrity images and provide ironic social commentary. *Comedy III Prods. Inc. v. Gary Saderup, Inc.*, 21 P.3d 797 (Cal. 2001). Later California cases have continued this borrowing of fair use concepts from copyright law (see Case Illustration at the end of this chapter).

Because individuals can license the right to use their names, likenesses, and signatures to others, defendants often assert that use was authorized. Actors typically grant studios the right to use their names and identities to promote movies in which they appear. The right generally extends to future re-releases of the movie, even on television, and may extend so far as to allow the studio to use the individual's name or likeness in connection with collateral products, such as toys and other related merchandise. Similarly, athletes often grant or

license sporting goods and card companies the right to reproduce their names, signatures, and photos on goods in return for license or royalty fees.

New Developments in the Right of Publicity

As is common with intellectual property rights in today's society, some of the new issues relating to the right of publicity stem from increasing technological advances. Through digital technology, President Clinton appeared in the movie *Contact*, John Wayne has sold beer, and Fred Astaire has danced with a vacuum cleaner. Some actors, such as Tom Cruise, insist that their contracts prohibit the modification of their digital images without prior permission. Vanna White's success in presenting a triable issue of fact in seeking to enjoin the use of a robot that evoked her likeness indicates that the right of publicity can extend beyond conventional infringement to misappropriation through digital and electronic means.

Another issue is whether the Copyright Act preempts (or takes precedence over) individual state statutes relating to the law of publicity. In some instances, the two fields coexist. For example, if a scene from a movie with Harrison Ford (protected by copyright) is later used without permission in another movie, Harrison Ford's copyright rights as well as his right to publicity have been violated. At least one court has held that in such a case, federal copyright preempts state laws relating to rights of publicity. *Fleet v. CBS*, 58 Cal. Rptr. 645 (Ct. App. 1996). In the Bette Midler case, because voices cannot be copyrighted, Midler sued solely for misappropriation of her identity and violation of her common law right to publicity. Similarly, names, gestures, and likenesses are unprotectable under copyright law because they are titles or ideas rather than expressions. Thus, in some instances federal copyright law may control a plaintiff's rights, while in other instances only the right to publicity will provide protection.

In another new development, California recently passed the Astaire Celebrity Image Protection Act (Cal. Civ. Code § 3344.1) to allow heirs of celebrities to block commercial uses of deceased celebrities' likenesses while allowing a "safe harbor exemption" to artistic uses, such as the digital insertion of President Kennedy's image into the movie *Forrest Gump*, or uses for news, public affairs, and so forth.

As persons other than traditional celebrities gain popularity through the use of reality television shows, such as *The Bachelor* or *Real Housewives*, it is likely that these individuals will bring actions for violations of their right of publicity when their personas are used for commercial purposes.

FALSE ADVERTISING

Introduction

In 1946, the federal trademark law, the Lanham Act, was passed. Section 43(a) of the Act (15 U.S.C. § 1125) prohibited false designations of origin, namely descriptions or representations tending falsely to describe or represent goods or services. Until the passage of the Lanham Act, actions involving unfair competition tended to allege passing off or trade disparagement. Passing off, however, was limited to instances in which a party misrepresented the *source* of goods or services. Thus, it was not an effective vehicle to use when a party made misrepresentations relating to the *nature* or *quality* of goods or services. Moreover, until the passage of the Lanham Act, plaintiffs were generally required to prove that the defendant's acts were the direct cause of loss of sales and profits, an element that was often difficult to demonstrate. Finally, at common law, courts were reluctant to let business competitors bring actions against each other to assert what was often a harm done to consumers and not to them. In *Ely-Norris Safe Co. v. Mosler Safe Co.*, 7 F.2d 603 (2d Cir. 1925), *rev'd on other grounds*, 273 U.S. 132 (1927), Judge

Learned Hand stated that the law did not allow a plaintiff-competitor to sue as a "vicarious avenger" of the defendant's customers.

Although the individual states enacted statutes prohibiting **false advertising**, these statutes varied from state to state and were often ineffective to prohibit false advertising that was national in scope. The expansive language of Section 43 of the Lanham Act, however, soon began to be used to protect not only against unregistered trademarks but also against nearly all forms of false advertising. In 1989, Congress amended the Lanham Act and broadened the scope of Section 43. As presently written, one portion of the statute allows parties to bring actions in federal courts for infringement of trademarks and trade dress (both registered and unregistered), while the other portion of the statute allows the assertion of claims for false advertising and trade libel (also known as product disparagement).

Under Section 43(a), whoever uses a false or misleading description or representation of fact or false designation of origin in commercial advertising or promotion or misrepresents the nature, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities is liable to any person likely to be injured by such act (if the act is committed in interstate commerce). Thus, the statute protects competitors and allows recovery if the plaintiff can show he or she is *likely* to be damaged, thereby eliminating the prior requirement that a plaintiff show *actual damage*. Most plaintiffs are business competitors, injured celebrities, and others who can show direct injury. Most cases that have considered the issue have held that defrauded consumers have no standing to sue for false advertising under Section 43(a). Some courts have noted that to allow defrauded consumers to sue under Section 43(a) would lead to a flood of litigation and that consumers are already adequately protected under their individual state statutes.

The broad and sweeping scope of Section 43 has been used to protect the distinctive uniform of the Dallas Cowboys cheerleaders, the color and shape of a drug capsule, the overall look of a line of greeting cards, and the sound of singer Tom Waits's voice from use by a sound-alike to falsely suggest Waits endorsed DORITOS® chips.

Remedies for false advertising include injunctive relief to prohibit further false statements or to correct falsities, as well as monetary relief.

Examples of False Advertising

An advertisement that is literally false is clearly actionable. Even advertisements that are implicitly false or unclear, however, are actionable if they are nevertheless likely to mislead or deceive consumers. False advertising is actionable under Section 43 of the Lanham Act, which prohibits advertisements that falsely represent the nature, characteristics, or qualities of one's own or another's goods or services. In many cases, surveys of consumers are used to prove that the message conveyed, even if literally true, is deceptive to the public at large. Courts generally require, in cases involving implicit rather than literal falsity, that an "appreciable" or "substantial" number of consumers must be misled by a claim. If scientific, medical, or technical claims are made in an advertisement, experts are usually called to demonstrate truth or falsity. Following are some examples of advertising held to be false:

- A failure to disclose that advertised prices did not include additional charges
- A statement that a pregnancy test kit would disclose results in "as fast as 10 minutes" when a positive result would appear in 10 minutes but a negative result might take 30 minutes
- A claim that a certain motor oil provided longer life and better engine protection than a competitor's product when that claim could not be substantiated
- A claim that orange juice was pure, pasteurized juice as it came from the orange and showing a celebrity squeezing an orange and pouring the juice directly into the carton when the juice was heated and sometimes frozen prior to packaging
- A false claim that automobile antifreeze met an automobile manufacturer's standards
- Falsely claiming a whiskey to be "Scotch" whiskey when it was not
- Covering up a label stating "Made in Taiwan" that appeared on goods
- Ads for GLAD-LOCK® resealable storage bags that did not accurately portray the leakage rate of a competitor's bags and did not indicate that only a certain percentage of the competitor's bags leaked

Many cases involve **comparative advertising** claims in which one party claims its products are superior or equivalent to those of a competitor. The competitor need not be specifically identified for an action to lie. In comparative advertising cases, a plaintiff must in fact show that the claimed product is inferior or not equivalent. Claiming that a product is "compatible with" or "works with" another product is permissible as long as the claim is true.

Defenses to False Advertising

Clearly, the truth is a defense to a claim that an advertisement is false or misleading. Note, however, that an advertisement that is literally true can still constitute false advertising if it is likely to mislead consumers. Truth can be shown by survey evidence (showing consumers are not misled), statistical evidence, or expert opinion. Another common defense asserted in false advertising cases is **puffing**. Puffing is an exaggerated and highly subjective statement or vague boast upon which no reasonable person would rely. Courts generally hold that such puffing is vague and is opinion only rather than a misrepresentation of fact and is

ETHICS
EDGESEEING
THE WHOLE
PICTURE

Try to serve the client's interests in everything you do. When reviewing its advertising materials to determine copyrightability, consider also whether the materials could subject the client to liability for false advertising or some other form of unfair competition. If you observe conduct or documents that might constitute acts of unfair competition, review the matter with your supervisor. Many clients desire to "push the edge of the envelope" when it comes to their promotional activities. Serve the client's whole interest, and review materials and issues from a variety of perspectives—not only to protect the client's intellectual property but also to ensure the client stays within the bounds of ethical conduct in the marketplace.

thus not actionable. Thus, stating that elves make KEEBLER® cookies is not false advertising because no reasonable person would believe such a statement to be true. Vague statements such as that a product is a "major breakthrough" or represents "new technology" are likewise permissible puffing inasmuch as they are more in the nature of boasting than representation. Similarly, general statements that a product is "superior" are usually held to be nonactionable puffing; however, if a statement purports to rely on test results that demonstrate superiority, such a claim may be false advertising if superiority cannot be proven.

Another defense often raised is that the speech involved in an allegedly false advertisement is protected speech under the First Amendment. Courts have typically held, however, that false commercial speech is not constitutionally protected and that the government has the right to ban deceptive and false speech.

Regulation by the Federal Trade Commission

The **Federal Trade Commission (FTC)** is charged with enforcing a comprehensive law, Section 5 of

the FTC Act (15 U.S.C. § 45), which prohibits unfair or deceptive acts or practices in or affecting commerce. Similar to Section 43 of the Lanham Act and most state statutes relating to false advertising, Section 5 requires that objective claims made in advertising and marketing be truthful and substantiated. The FTC will not pursue subjective claims or puffing, such as a claim that a suntan lotion is the "best in the world," but will pursue claims that include an objective component, such as "our suntan lotion lasts longer than other popular brands." Many states have statutes similar to Section 5 of the FTC Act that prohibit deceptive and unfair trade practices. The state statutes are usually referred to as **little FTC acts**.

Most of the advertising cases challenged by the FTC involve health and safety claims inasmuch as these pose the most risk to consumers. Alcohol and tobacco advertising is subject to particular scrutiny. Many recent cases involve health and nutrient claims for foods and dietary supplements and weight loss and disease prevention claims. Health and safety claims typically require competent and credible scientific evidence. Claims such as "clinical studies show that our brand is better than . . ." are permissible only if they are true. If other studies

exist that contradict claims or if the methodology of the studies is defective, there is likely a violation of the FTC Act. In the wake of the financial scandals and economic downturn, since 2007 the FTC has also stepped up its efforts to protect financially distressed consumers with efforts to stop job scams and debt and mortgage relief schemes.

The FTC also vigorously enforces its “Do Not Call” rule and has been paying increased attention to consumer protection on the Internet, including privacy rights and identity theft. Section 5 of the FTC Act applies to electronic commerce, and thus the FTC is charged with prohibiting unfair and deceptive practices on the Internet. FTC staff routinely monitor the Net and online services. In 2009, identity theft was the leading consumer fraud complaint received by the FTC.

The FTC has a wide array of remedies it uses to protect consumers. While cease and desist orders, injunctions, and monetary penalties are common, the FTC is increasingly using more innovative remedies designed to protect consumers. For example, the FTC often requires that restitution be made to injured consumers, rescinds contracts that are deceptive, and has required corrective advertising and affirmative disclosures about product safety claims. In one case involving false claims relating to sunscreen, the FTC required that the respondent design, produce, and print brochures about the importance of sunscreen usage by children. Similarly, in 2000, the FTC required Bayer Corp. to embark on a \$1 million consumer education program to settle charges that Bayer advertisements made unsubstantiated claims that regular aspirin could help prevent heart attacks and strokes in the general population. The FTC itself uses the Internet to protect consumers. By accessing the FTC’s home page (<http://www.ftc.gov>), consumers can obtain a wide array of consumer protection information and submit a complaint electronically.

PRODUCT DISPARAGEMENT

At common law, an action can be brought for making intentional and untrue statements about another company or its products or services that cause monetary harm to the company. The action is variously called **product disparagement**, *commercial disparagement*, or *trade libel*.

The statements, which can be written or oral, must be false and must clearly communicate a disparaging message about the plaintiff’s goods or services. Mere puffing does not give rise to an action for product disparagement. Similarly, merely expressing a negative opinion about a company in an Internet chat room does not constitute disparagement. Most jurisdictions require that the defendant act with intent to injure the plaintiff or, at the least, with a reckless disregard for the truth or falsity of its statements. Finally, specific economic harm must be pleaded and proven. It is not sufficient for a plaintiff to show that it is likely to be harmed by a defendant’s false representations. The plaintiff must generally demonstrate specific economic harm, such as the loss of a contract or loss of customers.

State court actions for product disparagement are seen less frequently today inasmuch as plaintiffs would generally prefer to rely upon Section 43(a) of the Lanham Act. Relying on Section 43 rather than individual state judicial decisions affords a plaintiff several advantages, chiefly that the plaintiff need not prove specific economic harm inasmuch as relief is provided to anyone who is *likely* to be damaged. Moreover, under Section 43, a plaintiff need not prove that a defendant had the specific intent to injure the plaintiff or that the defendant acted in reckless disregard of the truth or falsity of misrepresentations.

In defending an action for product disparagement (whether brought under common law or Section 43(a)), a defendant may allege that its statements are permissible comparative advertising (as long as

the statements are true), that its statements are mere opinion or puffing, or that its statements are protected as speech under the First Amendment. As discussed earlier, however, commercial speech is provided a lower level of protection than other forms of speech.

DILUTION

Dilution is another form of unfair competition. **Dilution** occurs when a famous trademark loses or is likely to lose its distinctive quality due to tarnishment or blurring. As previously discussed in Chapter 6, the 1996 Federal Trademark Dilution Act (FTDA) and its 2006 revisions in the Trademark Dilution Revision Act (TDRA), found at 15 U.S.C. § 1125(c), provide remedies for the dilution of famous marks. Under the Act, the owner of a famous mark that is distinctive (either inherently or through acquired distinctiveness) is entitled to an injunction against one who uses a mark or trade name in commerce that is likely to cause dilution (by blurring or by tarnishment) of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury. The 2006 revisions to the Act clarified that *actual* dilution is not required; a *likelihood* of dilution is sufficient. The revisions also clarified that marks must be famous to the general consuming public, not merely famous in a niche market.

The TDRA is intended to provide a remedy for the owners of famous marks when the owners of those marks would not otherwise be able to establish likelihood of confusion and thus avail themselves of the many avenues available to protect marks from confusingly similar uses. In one famous case, the use of TIFFANY for a restaurant was prohibited inasmuch as it diluted the famous TIFFANY® mark used in connection with jewelry. The court noted that

confusion was not likely inasmuch as no reasonable person would believe that the restaurant services were somehow affiliated with or sponsored by the jewelers. Nevertheless, the use of the famous mark TIFFANY, even in connection with unrelated services and goods, whittled away or diluted the strong association consumers make between the TIFFANY mark and fine jewelry. The goodwill inherent in the famous TIFFANY mark would evaporate if junior users were allowed to use the mark even on unrelated goods. *Tiffany & Co. v. Boston Club Inc.*, 231 F. Supp. 836 (D. Mass. 1964).

Dilution can occur in two ways: blurring or tarnishment. Blurring typically occurs when a mark's distinctive quality is eroded through use on dissimilar products. Both inherently distinctive marks and those that have acquired distinctiveness are protected. Examples of blurring would be TIFFANY RESTAURANT, KODAK BICYCLES, or CHRYSLER SOUP. In *Starbucks Corp. v. Wolfe's Borough Coffee*, 588 F.3d 97 (2d Cir. 2009), the court held that the use of MISTER CHARBUCKS for high-quality dark roasted coffee could blur the famous STARBUCKS mark; even though the two marks were not substantially similar (given their appearance and packaging), the degree of similarity is only one of the six factors the Trademark Dilution Revision Act lists for courts to consider. In this case, the plaintiff was not necessarily obligated to show that the defendant's mark was substantially similar to its famous STARBUCKS mark to prove dilution by blurring; an intent to create an association with the famous mark was sufficient. The court also held there was no tarnishment because MISTER CHARBUCKS did not portray the STARBUCKS mark in an unsavory or negative manner, and there was no trademark infringement because the marks were not likely to be confused.

Tarnishment occurs when a mark is linked to products of inferior quality or when the mark is

portrayed in an unsavory manner, such as a poster reading “Enjoy Cocaine” in the distinctive colors and script used in the famous “Enjoy Coca-Cola” advertisements. Dilution by tarnishment “harms the reputation of the famous mark.” 15 U.S.C. § 1125(c).

Many cases involving dilution focus on uses of Internet addresses. For example, the address “http://www.candyland.com” for sexually explicit services and goods was held to dilute the famous CANDYLAND mark owned by Hasbro Toys. *Hasbro Inc. v. Internet Entm’t Grp., Ltd.*, 40 U.S.P.Q.2d 1479 (W.D. Wash. 1996). Similarly, the address “http://www.adultsrus.com” used for sexual paraphernalia was held to dilute the famous TOYS “R” US mark owned by Toys “R” Us, Inc. *Toys “R” Us, Inc. v. Akkaoui*, No. C-96-3381, 1996 WL 772709 (N.D. Cal. Oct. 29, 1996).

One of the difficult tasks presented to courts is determining what constitutes a “famous” mark. The TDRA provides some factors for courts to consider in determining whether a mark is famous, including the following: the amount and extent of sales of goods or services under the mark; the duration and extent of advertising and publicity of the mark; the degree of actual recognition of the mark; and whether the mark is federally registered. To be famous a mark must be widely recognized by the general public. After the 2006 revisions to the Act, fame in a “niche” market no longer suffices.

If a plaintiff can show willful intent by the defendant to trade on the plaintiff’s famous mark or to harm the reputation of a famous mark, a plaintiff can obtain monetary relief, the defendant’s profits, costs, and attorneys’ fees, in addition to injunctive relief. Injunctive relief, however, is the most typical remedy.

Under the TDRA, some uses of famous marks are not actionable, such as fair use of a famous mark in comparative advertising, noncommercial use of a famous mark, parody, and use of a famous mark in news reporting and commentary.

INFRINGEMENT OF TRADE DRESS

The total image and overall appearance of a product or service is protectable as its “trade dress.” Trade dress, like trademarks, can be registered with the USPTO. Trade dress refers to the distinctive appearance of a business or product and may include a product’s distinctive packaging, the interior design of a restaurant, the Rubik’s cube puzzle, and other nonfunctional features of a product or service. Trade dress may include features such as size, shape, color or color combinations, texture, graphics, and even particular sales techniques. Trade dress protection does not extend to utilitarian or functional aspects of a product or service inasmuch as such would tend to reduce or stifle competition. Functional products may be protected under patent law (assuming they meet the tests of patentability, such as novelty and nonobviousness), which provides a limited period of duration for utility patents. To allow a functional product or service to be protected as trade dress would allow a monopoly on a useful feature or product in perpetuity.

In *Two Pesos Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992), the Supreme Court held that the inherently distinctive trade dress of a Mexican restaurant could be protected under Section 43(a) of the Lanham Act against infringement by another restaurant that used confusingly similar décor and design elements. The trade dress included the shape and general appearance of the exterior of the restaurant, the signage, the interior kitchen plan, the décor, the menu, the equipment, servers’ uniforms, and other features that reflected the total image of the restaurant. The Court held that as long as a party’s trade dress is distinctive (either inherently or upon a showing of secondary meaning), it will be protected against a junior user’s use that is likely to cause confusion among consumers. The Court expressly noted that protection of trade dress, like

protection of trademarks, serves the Lanham Act's purpose of securing to owners the goodwill of their businesses and protecting the ability of consumers to distinguish among competing goods and services.

In a relatively recent case, *Samara Bros. Inc. v. Wal-Mart Stores, Inc.*, 165 F.3d 120 (2d Cir. 1998), *rev'd on other grounds*, 529 U.S. 205 (2000), the plaintiff was awarded \$1.2 million against Wal-Mart for selling (under Wal-Mart labels) knockoffs of the plaintiff's children's clothing line. The court held that the clothing, which displayed large collars and bold appliques of hearts and flowers on seersucker, was sufficiently distinctive to be entitled to trade dress protection. Thus, although clothing per se is not protectable under copyright law because it is a useful article, distinctive elements of clothing can be protected under trade dress theory. The U.S. Supreme Court distinguished between two types of trade dress—product design and product packaging—and held that product design can never be inherently distinctive. Thus, plaintiffs alleging infringement of trade dress cases based upon unregistered product design must show that the design has acquired distinctiveness through secondary meaning. 529 U.S. at 211–13. Product packaging, on the other hand, may be inherently distinctive. Moreover, clothing design embellishments, such as the hearts and flowers, can be protected under copyright law, although the scope of protection for such familiar elements will be narrow and only nearly identical copying will be prohibited.

To prevail in a trade dress case a plaintiff must show that its trade dress is valid and protectable, that it is nonfunctional (if the trade dress is not registered), and that the overall impression of the defendant's trade dress is likely to cause confusion with that of the plaintiff. If the trade dress is registered, such registration is presumptive evidence that the trade dress is not functional. Most cases for trade dress infringement are brought in federal

court under Section 43(a) of the Lanham Act. Finally, under the 2006 revisions to the dilution statute, owners of unregistered trade dress may bring actions for *dilution* of their trade dress, but the burden of proof is on them to show that their trade dress is famous and is not functional. Thus, trade dress may be infringed (nearly identically to infringement of trademarks) or trade dress may be diluted under Section 43.

INTERNATIONAL PROTECTION AGAINST UNFAIR COMPETITION

The United States has assumed certain obligations under international agreements in the arena of unfair competition, chiefly under the Paris Convention. The Paris Convention seeks to afford citizens of each of the more than 170 member nations protection against unfair competition and trademark infringement and requires that member nations provide the same level of protection against unfair competition to citizens of other member nations as they do for their own citizens. (See Appendix A for a table of countries adhering to the Paris Convention.)

The Paris Convention expressly prohibits acts that create confusion by any means with a competitor, false allegations that discredit a competitor, and indications that mislead the public in regard to the nature or characteristics of goods.

Section 44 of the Lanham Act (15 U.S.C. § 1126) implements the Paris Convention and expressly provides that any person whose country of origin is a party to any convention or treaty relating to the repression of unfair competition, to which the United States is also a party, is entitled to effective protection against unfair competition, thus affording citizens of Paris Convention member nations the wide variety of protection afforded under Section 43 of the Lanham Act.

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- In 2007, the U.S. Chamber of Commerce stated that counterfeiting costs U.S. businesses as much as \$250 billion annually.
- To deter counterfeiting of its golf clubs, Nike places ultraviolet markings on the shafts so Customs inspectors can identify them as legitimate.
- Research has found that more than 90 percent of the “Tiffany” jewelry offered on the Internet as genuine is fake.
- Sixty percent of all counterfeit drugs have no active ingredients at all.
- The FTC currently receives more complaints about identity theft than any other type of fraud, followed by debt collection and Internet services complaints.
- In 2009, the FTC published guidelines requiring consumers and bloggers who review products and services to disclose whether they have received any compensation from or have any connection with the seller of the product or service.

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CHAPTER SUMMARY

The term *unfair competition* refers to a wide variety of acts and practices that constitute improper commercial conduct. Because the property interests being protected are often intangible, such as reputation, image, and goodwill, the interests are classified as “intellectual property.”

Injured parties can rely on a host of theories to protect their commercial interests: passing off (selling one’s goods as those of another); misappropriation (the taking of another’s valuable commercial interests); false advertising (making false representations about the nature or quality of one’s own goods or services); the right of publicity (protecting one’s image or persona from commercial appropriation); product disparagement (making false representations about another’s goods or services); dilution (likely weakening or tarnishing another’s trademark or service mark); or infringement of trade dress (causing a likelihood of confusion with the overall appearance or image of another’s product or service). Additionally, Section 43 of the Lanham Act provides a federal cause of action for a broad range of anticompetitive activities (including passing off, false advertising, product disparagement, trademark dilution, and infringement of trade dress). Finally, the FTC regulates commercial acts and practices. Under the Paris Convention, the United States is required to protect citizens of member nations against unfair competition, and U.S. citizens are treated in other countries equivalently to nationals of those member nations with regard to unfair competition.

CASE ILLUSTRATION

RIGHT OF PUBLICITY

- Case:** *Winter v. DC Comics*, 69 P.3d 373 (Cal. 2003)
- Facts:** Plaintiffs Johnny and Edgar Winter, well-known musicians, were depicted by defendant as half-man, half-worm creations called Johnny and Edgar Autumn with long white hair and albino features similar to those of the Winter brothers. The brothers sued for misappropriation of their right of publicity, among other causes of action.
- Holding:** The California Supreme Court held that the use by DC Comics was permissible use protected by the First Amendment. The plaintiffs were not depicted literally. The highly expressive and transformative use was akin to a fair use. Moreover, the comic book series would not substitute for the brothers' merchandise (meaning that the effect of the use by DC Comics would not affect the potential market for the brothers' works). In such a case, the use was transformative and protected by the First Amendment.

CASE STUDY AND ACTIVITIES

- Case Study:** Holiday has recently released advertisements with the following statements: "We are the most fun you can have on the sea!" and "Unlike those of our competitor, Royal You-Know-Who, our waste materials are packaged in recyclable containers, making us environmentally friendly."
- Activities:** Indicate whether the statements made by Holiday are actionable as any form of unfair competition and who, if anyone, might bring an action.

ROLE OF PARALEGAL

There are numerous tasks in which IP paralegals are engaged in the unfair competition arena. Some of those activities are as follows:

- Reviewing advertisements and publications to alert clients to possible instances of passing off, misappropriation, false advertising, product disparagement, infringement of trade dress, or dilution;
- Reviewing the products and services of competitors of clients to ensure that the trade dress of clients is not being infringed;
- Preparing and responding to cease and desist letters that demand the cessation of unfair competitive practices;
- Conducting legal research relating to unfair competitive practices;
- Preparing and responding to complaints alleging acts of unfair competition;
- Engaging in the discovery process in unfair competition actions, including preparing and responding to interrogatories and requests for production of documents, preparing notices of depositions, and coordinating survey results;

- Assisting in trial preparation by preparing exhibits and jury instructions and assisting in the preparation of briefs for court; and
- Assisting in the drafting of settlement agreements.

INTERNET RESOURCES

- Federal and state laws relating to unfair competition: <http://www.law.cornell.edu>
<http://www.gpo.gov/fdsys>
- Federal Trade Commission: <http://www.ftc.gov>
- General information: <http://www.findlaw.com>
<http://www.megalaw.com>
<http://ipmall.info>

DISCUSSION QUESTIONS

1. Indicate whether the following statements might constitute false advertising (assuming there is no reasonable basis to support any of the following claims):
 - “ABC sunscreen reduces the risk of skin cancer.”
 - “XYZ dryers will reduce your energy costs by 24 percent.”
 - “Frank’s ice cream is the creamiest.”
 - “Lucy’s grape juice tastes great.”
 - “Studies show our pain reliever works faster than any other.”
2. The maker of baseball bats has begun imprinting them with the mark “Louisville Slugger,” a famous trademark for a well-known baseball bat. What action might the owner of the mark LOUISVILLE SLUGGER bring?
3. Angelina Jolie’s picture has appeared (without her consent) in the following materials. Indicate whether the use is permissible or likely actionable.
 - A news article about powerful women
 - An advertisement for mascara
 - An article in *People* about Ms. Jolie’s glamorous lifestyle
 - A news clip showing starving children in Somalia, showing Ms. Jolie holding a baby
 - An ad for Cartier watches, showing Ms. Jolie wearing a Cartier watch
4. The maker of Dannon yogurt has made the following statements. Indicate whether any of these statements are actionable as unfair competition.
 - “Our yogurt promotes health and reduces the risks of colds.”
 - “Yoplait contains 30 percent less fruit than Dannon.”
 - “Dannon: America’s favorite yogurt!”
5. Christian Louboutin’s women’s shoes are famous for their cost, design, and bright red soles. The red sole is registered with the USPTO. ABC Shoemaker has begun selling its shoes with soles in pink, red, or tan. Indicate whether ABC is infringing any rights of Christian Louboutin.

6. ABC is selling its jewelry under the mark STARBUCKS. Starbucks Corp. has complained about this use but ABC says there is no likelihood of confusion between the two products and thus it has no liability. Discuss what theory Starbucks might assert to compel ABC to stop using STARBUCKS for jewelry.
7. ABC is using the mark CLYDE'S for its ties sold in California. CLYDE'S is a registered trademark owned by Clyde's Restaurant Group, a famous chain of restaurants in the Washington, D.C., metropolitan area. Because there are numerous registrations for CLYDE'S marks for goods and services unrelated to restaurant services, it is unlikely that Clyde's can prevail against ABC in a traditional trademark infringement action. Discuss whether Clyde's might prevail against ABC in a dilution action.

USING INTERNET RESOURCES

1. Access WIPO's website and review the Paris Convention, specifically Article 10. If one makes a misleading statement regarding the characteristics or quality of goods, what section has been violated?
2. Access the website of the World Trade Organization. Review its Glossary. What does the term "piracy" mean?
3. Access the USPTO's Trademark Manual of Examining Procedure and review Chapter 12.
 - a. Is flavor registrable as trade dress?
 - b. When a trademark examiner reviews an application that seeks to register trade dress, what two questions must the examiner consider?



Go to <http://www.paralegal.delmer.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.

CHAPTER 24

Intellectual Property Audits and Due Diligence Reviews



CHAPTER OVERVIEW

Clients are often unaware of the importance of their intellectual property. To help clients realize the value of such assets and exploit them, law firms often conduct intellectual property audits for clients. The audit reveals the intellectual capital owned by a client and assists in developing a strategy so the client can maintain its valuable intellectual capital. Once clients fully understand *what* they own, they can then protect it, license it, or sell it. The audit should be repeated on a periodic basis to reflect the changing nature of intellectual property. Audits are also conducted when a company is sold, when it borrows money, or when it acquires another company. This type of audit is usually referred to as a “due diligence” review.

INTRODUCTION

Although clients are always aware of the value of their tangible assets (such as their stock and inventory), they are often unaware that they own other valuable assets: their intellectual property. They may use distinctive names for certain products or services, may possess creative marketing materials, or may have developed a novel machine or process. All of these developments are assets that can and should be protected as intellectual property. Distinctive names should be registered as trademarks, written materials should be protected by copyright notices and registration, inventions should be protected by patents, and trade secrets should be protected so they can endure perpetually. Ocean Tomo, an IP consulting firm, has estimated that tangible assets represented about 80 percent of the value of most S & P 500 companies in the United States in 1975. By 2010, only 20 percent of these companies' market value consisted of tangible assets, with the remaining 80 percent consisting of intangible assets (including brand name, reputation, and intellectual property).

If intellectual property is not protected, it may be lost. Failure to monitor and police infringing activities may also lead to a loss of rights. Competitors may acquire rights to valuable property that formerly provided a competitive edge to a company, resulting in a loss of market share and profits.

Companies not only should protect their intellectual property in order to ensure business survival but also should use their intellectual property to create revenue. Trademarks, copyrights, patents, and trade secrets can all be licensed to others. The owner of intellectual property can achieve a continual revenue stream through licensing of rights to others for either a fixed sum or recurrent royalty payments. Alternatively, intellectual property may be sold outright to another. Intellectual property can also be used as collateral so its owner can secure a loan from

a bank or other institution. Just as real property or personal property such as inventory is pledged as collateral when money is borrowed, so too can intellectual property (trademarks, copyrights, and patents) serve as collateral. Intellectual property can also be used as donations. For example, a number of companies have donated patents to universities and other nonprofit institutions. The donors then take an income tax deduction for the donation, although the Internal Revenue Service has begun subjecting such claims to increased scrutiny, and Congress has limited deductions for such donations. Recall that some companies now contribute patents (and pledge not to assert their patent rights) to the Patent Commons Project, a collaborative environment that serves as a "preserve" for patents. (See Chapter 21 for additional information about patent donations and the Patent Commons Project.)

The failure to capitalize on the value of intellectual property is generally caused by a lack of awareness of just what can be protected. Many companies believe that copyright extends only to important literary works and therefore fail to secure protection for their marketing brochures or other written materials. Similarly, companies often fail to implement measures to ensure valuable trade secrets maintain their protectability. Because clients are often unaware of the great potential and value of this property, law firms often offer their clients an **intellectual property audit** to uncover a company's protectable intellectual property. The IP audit is analogous to the accounting audit most companies conduct on an annual basis to review their financial status.

Another type of IP investigation is usually conducted when a company acquires another entity or its assets. At that time, a thorough investigation should be conducted of the intellectual property of the target company to ensure the acquiring company will obtain the benefits of what it is paying for and will not inherit infringement suits and other problems stemming from the target's failure to protect its

intellectual property. This type of intellectual property investigation is generally called a **due diligence** review inasmuch as the acquiring company and its counsel have an obligation to duly and diligently investigate the target's assets. Due diligence reviews are also conducted when a company offers its securities for public sale inasmuch as potential investors must be informed of the offeror's assets (including its intellectual property) and any claims that may arise against the offeror. Similarly, when a company is being sold, it is generally required to identify its intellectual property and make certain representations and warranties that it owns the property being sold and there are no defects in title or pending claims involving the property. Thus, due diligence must be conducted to ensure these representations and warranties can be made with respect to a seller's intellectual property.

Audits may also be triggered by changes in the law. For example, once the Federal Circuit clarified in 1998 in *State Street* (see Chapter 21) that some business methods could qualify for patent protection, a number of companies discovered they owned such patentable business methods that required protection.

Finally, audits may identify defects in a client's intellectual property (such as a lack of an effective trade secret protection program or failure to register a trademark used by the client) so that measures may be taken to protect these valuable assets.

PRACTICAL ASPECTS OF INTELLECTUAL PROPERTY AUDITS

IP audits come in all shapes and sizes. Most importantly, the audit must fit the client and respond to its needs. If a client owns a small retail shop or provides auto repair services from only one location, the sole intellectual property may consist of the business name (which may be protectable as a

trademark), any logos or designs used by the client, customer lists, and marketing materials, if any. On the other hand, if a client is engaged in software development, information technology, or telecommunications services, it may possess a wealth of IP assets. For example, in 2010 alone, IBM Corp. was granted 5,866 patents, helping to generate about \$1 billion in royalties for IBM each year (according to *BusinessWeek*).

In most cases, the first IP audit is the most extensive and expensive. Some clients conduct periodic audits, and law firms typically docket the dates for annual reviews and send reminder notices to clients. The annual reviews can focus on changes since the previous audit. While there is some expense involved in conducting any audit, the benefit of the audit outweighs the expense involved. Moreover, there are often intangible benefits to the audit. If the client later wishes to obtain a loan or sell some of its assets, the preceding audit need only be updated, eliminating costly delays in a transaction. In addition, if new members join a company's IP legal team, an existing audit will help familiarize them with the company's IP assets. If the client is adequately prepared for the audit and actively assists in the audit, costs can be reduced.

Before the audit is conducted, the law firm and the client should agree on its scope and nature. Consideration should be given in regard to whether the firm will conduct the audit on an hourly fee basis or for a fixed fee. In most instances, the law firm will need to send IP professionals to the client site, resulting in disruption to the client's operations. Again, with careful preparation, such disruption can be kept to a minimum.

The following issues should be clearly addressed before the audit begins:

- Who will conduct the audit? Usually, counsel (inside or outside), together with IP paralegals, will conduct the audit, relying on company

representatives for assistance. The law firm and the client should each designate a person who will serve as the team leader and to whom questions and concerns can be addressed. If a client is unusually large, it may designate various leaders, for example, one from its research and development department, one from its marketing department, and so forth.

- What scope will the audit have? Should only U.S. rights be explored? Should consideration be given to protecting intellectual property on an international basis?

CONDUCTING THE AUDIT

The first step in the audit should be a face-to-face meeting of the legal team and company managers. The legal team should make a brief presentation on what intellectual property is, why it is important to the company, and why and how the audit will be conducted. Managers will be more likely to cooperate if they fully understand the importance of the audit. Obtaining this kind of “buy in” from the client’s managers and employees will speed the audit and reduce costs. Moreover, education about the importance of intellectual property helps ensure that managers consider ways to further protect a company’s valuable assets and remain alert to possible infringements of the company’s intellectual capital or infringements by the company of others’ rights. Finally, having outside counsel involved in the process will ensure that confidential communications related to the audit are protected by the attorney-client privilege.

Once the company’s managers have been advised of the need for the audit, the legal team should provide a worksheet or questionnaire (see Exhibit 24–1) to the company specifying the type of information that the firm is looking for so that company files can be reviewed and materials assembled for inspection by the firm and its representatives.

Although it is not strictly necessary that the client do this kind of preparatory work, the more work the client does, the faster, cheaper, and less disruptive the audit will be.

Once the materials that are responsive to the questionnaire are gathered, the legal team can review them. The review is generally done at the client site. Files are pulled, brochures gathered, and contracts assembled. The legal team will review these materials and often make copies of pertinent documents, marking them as confidential.

After review of the materials is completed, another face-to-face meeting should be held to ensure that all of the materials were gathered and that there are no other contracts, license agreements, or other documents or software that should be reviewed. Questions may have arisen during the course of the audit for which the legal team needs responses. For example, the legal team may ask whether a certain brochure or trademark is still in use or whether the company logo was designed in-house or by an independent contractor. The legal team will generally check the records of the USPTO and the Copyright Office to determine whether there are any records on file showing the company’s ownership of trademarks, copyrights, and patents. A follow-up questionnaire may be sent to the client to obtain the answers to questions that arose in the course of the audit.

POSTAUDIT ACTIVITY

After the inspection is completed, the legal team will usually prepare a written report identifying the specific items of IP owned by the company, reviewing their status, and making recommendations for protection. If outside counsel prepares the report, confidential information in the report will be protected by the attorney-client privilege, such that it will not be discoverable. The IP audit team may then proceed to take the following actions: filing applications

Intellectual Property Audit Questionnaire

Identified below is a list of subjects to be covered in connection with our review of the intellectual property rights of your company (the "Company"). Please gather any materials and documents relevant to the subjects listed below so they can be reviewed. If no materials or documents exist with respect to a particular subject, please confirm that in writing next to the relevant question.

For all relevant questions, give the name of the person who assisted in the design, development, or implementation of any intellectual property rights; describe the nature of the relationship between the person and the Company (for example, employee, independent contractor, and so forth); and indicate whether the person signed any confidentiality or nondisclosure agreements with the Company.

A. General

1. Has the Company ever acquired another entity or the business or assets of another entity or person? (This party may have owned intellectual property that is now owned by the Company.)
2. Has the Company ever sold any assets or business to another entity or person?
3. Is the Company engaged in the development or design of any useful products or parts for useful products?
4. Is the Company engaged in the development, design, or modification of computer software?
5. Are there any individuals who may have developed or designed products or software for the Company who have left employment with the Company? If so, indicate whether each such person signed a confidentiality, nondisclosure, or employment agreement with the Company.
6. Does the Company have a website or are there links from other parties' sites to the Company's site? If so, provide documents relating to the registration of the Company's domain names and website addresses.
7. Does the Company use a docketing system or calendar to provide reminders of due dates relating to any of its intellectual property?
8. Has the Company ever conducted an intellectual property audit, or does it maintain a list of its IP assets? If so, please attach a copy.
9. Has the Company changed its name or address within the past 10 years? If so, records on file with the U.S. Patent and Trademark Office (USPTO) and Copyright Office may need to be updated to reflect such.

B. Trademarks and Service Marks

1. Does the Company use any trademarks, service marks, logos, slogans, trade dress, or designs (collectively "Marks") in connection with the offer and sale of its products or services? These Marks may have been displayed on products, labels, packaging, letterhead, business cards, in advertisements, brochures, or other marketing materials, including a website.
2. Has the Company ever applied for registration of any Marks with the USPTO or any state trademark agencies?
3. Has the Company ever allowed another party (such as an employee, client, vendor, or competitor) to use any of the Company's Marks?
4. Does the Company use any Marks that are owned by any third party? Review Company marketing materials, website, and other written documents to determine whether the Company displays or uses Marks belonging to another.

C. Copyrights

1. What written materials does the Company use to advertise its products and services? These may be written materials, scripts or copy for radio or television advertisements, or website materials.

Were these developed by Company employees or by independent contractors working for the Company? What agreements exist relating to the development of such materials?

2. What written materials does the Company use internally, such as employee handbooks, training materials, company policies, manuals, training or other videos, audios, or modules, relating to the way the Company conducts its business?
3. Do Company employees prepare written materials or electronic materials (such as PowerPoint slides) when presentations are made within the Company and outside the Company? If so, describe.
4. Do Company employees submit articles for publication to any journals, periodicals, or other publications? If so, describe.
5. Has the Company ever applied for registration of any copyrights with the U.S. Copyright Office?
6. Are articles from periodicals, magazines, trade journals, and other related written materials photocopied for distribution within the Company?
7. What policies exist regarding reproduction of books, articles, journals, and other materials that may be subject to copyright?
8. Is any music piped in through the Company's offices (whether through the use of CDs or music being simultaneously transmitted by a radio station)?
9. Is music played when callers to the Company are placed on hold?

D. Patents

1. Has the Company or its employees ever invented any useful article, product, method, process, or software? If so, do any inventor or laboratory notebooks exist that document the development of the invention? Does the Company have any present plans for any such inventions?
2. Has the Company ever made any improvements to another party's useful article, product, or invention?
3. Has the Company ever engaged in the reverse engineering or decompilation of another company's product or software?
4. Has the Company ever applied with the USPTO for issuance of any patent?
5. Does the Company mark all patented inventions with a patent notice?
6. What process does the Company use to ensure all notices of patent are removed when the patent has expired?

E. Trade Secrets

1. What information does the Company possess that would be harmful to the Company if it were discovered by a competitor? Consider proprietary information relating to research and development plans; calculations and financial data; employee manuals and handbooks and personnel information; information relating to the Company's clients and customers; the Company's methods of recruiting; methods and processes of production; test results for Company products and services; data concerning the pricing for Company products and services; sales forecasts; research information; manufacturing information; marketing materials; surveys and data relating to customer needs and preferences; and business plans and forecasts.
2. Do employment, confidentiality, nondisclosure, or other agreements exist that protect such proprietary materials?
3. Does the Company conduct employee orientation for new employees and exit interviews for departing employees to ensure employees understand the need to maintain confidentiality of Company trade secrets?

4. What measures does the Company take to protect confidential and proprietary information? Are documents marked “Confidential”? Are proprietary materials kept in locked cabinets? Are restrictions placed on the access to and copying of such materials? Is access to Company premises monitored by cameras, key access, or any other method?
5. What measures does the Company take to ensure electronic communications are protected and secure? Are any encryption methods in place for electronic communications? Describe restrictions on access to the Company’s computer systems, including password protection methods.
6. Are any legal notices or disclaimers provided at sign-on when Company employees access the Company network?

F. Software

1. Has the Company designed, developed, or modified any software?
2. Does the Company have the right to use any software designed or developed by another party? If so, have licenses been obtained for each user?
3. Does the Company allow its employees to copy any software for their home use?

G. Claims

1. Are there any presently pending claims relating to any of the Company’s intellectual property? Has any person alleged or claimed that the Company has violated or infringed its intellectual property rights?
2. What claims have been made (whether or not resolved or compromised) within the past five years against the Company relating to alleged infringement or violation by the Company of the intellectual property rights of others?
3. Has the Company observed or made any claims relating to any possible infringements by others of the Company’s intellectual property rights?
4. Does the Company use any methods to detect possible infringing uses of its intellectual property?

H. General Documents

1. Please assemble all applications and registrations, and all license, royalty, security agreements or other agreements relating to trade names, Marks, copyrights, patents, trade secrets, software, licenses, or other similar rights relating to the Company’s intellectual property rights.
2. Please assemble all agreements entered into by employees (including officers and directors) and any Company handbooks, manuals, or policies relating to Company employees.
3. Please assemble all agreements entered into between the Company and any consultants or independent contractors.
4. To the extent not already covered, please assemble all agreements or licenses entered into between the Company and any other parties that relate to the Company’s intellectual property, which are essential for the operation of the Company’s business, or by which the Company is allowed to offer or use another party’s Marks, copyrights, patents, processes, software, or other related property, including contracts entered into with the government.
5. Does the Company offer its products or services in any foreign countries? If not, does the Company have any plans to offer its products or services in foreign countries within the next three years?

EXHIBIT 24–1 (*Continued*)

ETHICS
EDGECONFIDENTIALITY
AND COMPETENCE

Throughout this text, many of the ethics tips have focused on two critical duties of paralegals: the duty to maintain confidential information and the duty to provide competent service to clients. Those two core duties play a significant part in IP audits. Consider the following:

- IP audits routinely disclose the most important assets that many companies own. Be scrupulous in maintaining the confidentiality of the information to which you will gain access. Do not discuss the results of the audit with others, keep the information securely protected, and mark all documents with notices of confidentiality.
- As you work on clients' IP matters, maintain and update your own IP audit list. For example, when a client secures a trademark registration, note the particulars on your own client audit sheet. When it comes time to conduct a full-fledged IP audit or to update a prior audit, you will already have much of the information at your fingertips, saving the client time and money.

for registration of trademarks, service marks, copyrights, and patents; ensuring that the chain of title for trademarks, copyrights, and patents is accurate (and correcting and filing documents at the USPTO and Copyright Office if the company has changed its name or acquired another's IP); drafting contracts to be used when the company retains independent contractors (to ensure that all work created by the independent contractors is "work made for hire" or is owned by or assigned to the company); preparing license agreements so the company can license its intellectual property to others; preparing nondisclosure and noncompetition agreements; and preparing policies for the protection of trade secrets.

The IP audit team may also assist the client's human resources department and provide instructions on conducting exit interviews and may redraft the employee manual to include a trade secret policy, Internet use policy, and instructions regarding use of the company's trademarks. The legal team may also advise the company to engage appraisers and

analysts to value the IP assets so they can be licensed at appropriate royalties or sold at their fair market value to produce revenue for the company.

The company is usually advised to initiate an aggressive campaign to locate others who may be infringing the company's intellectual property by reviewing competitors' materials and trade publications and by monitoring applications filed at the USPTO for marks that may be confusingly similar to those owned by the company and published patent applications for inventions that might infringe the company's patents. The legal team may help the company initiate a docketing system for reminder dates for renewals of licenses, trademark registrations, and patent maintenance, or may be retained to perform the docketing functions itself.

Once companies know what IP assets they own, they will be able to protect these valuable assets and mine them to produce a revenue stream by licensing or using the assets as collateral to obtain financing.

TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA TRIVIA

- IBM's worldwide patent portfolio includes 40,000 patents.
- *BusinessWeek* has reported that Pfizer has relied on a single set of patents covering the drug Lipitor for one-fourth of its total sales. The effect on Pfizer of the expiration of the patent for Lipitor in November 2011 is unknown.
- Many companies, such as Hewlett-Packard, post notices on their websites indicating that their IP is for sale or licensing.
- Dow Chemical reportedly used the results of an IP audit to increase its patent licensing by \$125 million.
- According to the *Hollywood Reporter*, the overall revenue achieved by the licensing of Star Wars memorabilia, action figures, spin-offs, and so forth in 2010 alone was approximately \$510 million.
- Starbucks derives revenue from licensing its name to Jim Beam for a coffee-flavored liqueur.
- The COCA-COLA® trademark is the most recognized trademark in the world, and the company values its brands at more than \$70 billion.

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CHAPTER SUMMARY

Because clients may be unaware of the value of the intellectual property they own, law firms often conduct intellectual property audits for clients. The audit reveals valuable intellectual property assets that can then be exploited for the client's benefit. Audits should be conducted on a periodic basis to reflect the changing nature of intellectual property. Audits or reviews are also conducted when companies are sold, when they borrow money, or when they acquire other companies. In such instances, the review is often called "due diligence." Because almost all types of intellectual property can be lost through lack of protection (including nonuse, failure to monitor licensees properly, failure to renew or maintain registrations, and failure to protect against infringing activities), the intellectual property audit is a crucial tool that allows a company to understand and exploit the value of its intellectual property portfolio.

CASE ILLUSTRATION

VALUE OF INTELLECTUAL PROPERTY

- Case:** *Smith & Nephew, Inc. v. Arthrex, Inc.*, 2:07-cv-335, 2010 WL 2522428 (E.D. Tex. June 18, 2010)
- Facts:** After being awarded damages for patent infringement by the defendant, the plaintiff moved for a permanent injunction.
- Holding:** The injunction was granted. The court stated that it had previously recognized the high value of intellectual property. The plaintiff had suffered a loss of market share, loss of profits, and potential revenue due to defendant's acts of infringement. Moreover, there was also a loss of brand name recognition and goodwill, which are the types of injuries that are incalculable and irreplaceable.

CASE STUDY AND ACTIVITIES

- Case Study:** Holiday intends to engage in discussions to sell one of its operating divisions to Royal Caribbean. Executives from the two companies will be meeting to review the intellectual property related to the proposed transaction. There is no signed contract yet between the parties.
- Activities:** What may Holiday disclose to the Royal Caribbean executives and what precautions, if any, should Holiday take?

ROLE OF PARALEGAL

Paralegals generally play an active and vital role in planning and conducting IP audits. Using nonattorney IP practitioners also helps reduce the costs associated with audits. In many instances, a paralegal serves as the liaison between the law firm and the client and coordinates all activities related to the audit. IP paralegals are generally involved in the following tasks:

- Preparing the audit questionnaire and ensuring a company representative completes the questionnaire;
- Coordinating the time and manner of the audit by scheduling a convenient date for all team members and ensuring that a conference room or office near a photocopy machine is set aside for the audit team;
- Reviewing client files and documents;
- Preparing a follow-up questionnaire, if needed;
- Reviewing the records of the USPTO and Copyright Office to determine if trademarks and copyrights have been applied for or registered and whether patents have been published or have issued;
- Preparing an inventory or list of all IP assets;
- Reporting the results of an IP audit;
- Preparing applications for registration of marks, copyrights, and patents; drafting policies for trade secret protection; drafting contracts, licenses, and assignments;
- Assisting in setting up a docket or calendar for maintenance of intellectual property; and
- Providing reminders to clients of the need for annual or periodic updates to the IP audit.

INTERNET RESOURCES

Statutes relating to intellectual property:	http://www.law.cornell.edu http://www.gpo.gov/fdsys
General information:	http://www.findlaw.com http://ipmall.info http://www.megalaw.com
Patent Commons Project:	http://www.patentcommons.org
Sites that value and assist in buying, selling, and licensing IP assets:	http://www.ipauctions.com http://www.Oceantomo.com http://sedo.com

DISCUSSION QUESTIONS

1. Your firm's annual IP audit for its client disclosed that the client acquired 10 trademarks from another company, all of which were registered in 2010. What, if anything, should the firm recommend to the client with regard to these recently acquired trademarks?
2. In an IP audit, a law firm discovers the client is not using the technology in two patents (which have upcoming maintenance fees due) and that other products are marked with patent numbers for a patent that expired last year. What should the firm recommend to the client?
3. Client ABC has informed its law firm that it intends to sell all of its assets to XYZ within the next year. What might the law firm do with respect to the client's IP at the present time to ensure that the planned future transaction proceeds smoothly?

USING INTERNET RESOURCES

1. Access the website for the law firm Fenwick & West LLP. Locate a 2005 article written by firm lawyers and posted on the website relating to IP audits. What is the conclusion of the article?
2. Access the website for the Patent Commons Project. Review the information relating to the contributors to the Project.
 - a. What did Ericsson pledge to the Commons (specifically, identify the document name)?
 - b. Retrieve the document. Describe the nature of Ericsson's pledge.
3. Review IRS Publication 526. If you contribute a patent to a qualified organization such as a university, generally, what may you deduct?



Go to <http://www.paralegal.delmar.cengage.com> for Quizzes, Forms, Chapter Resources, and additional information.



GLOSSARY

A

abandonment: Loss of trademark rights through nonuse coupled with an intent not to resume use; loss of patent rights through express intention to relinquish rights

abstract: A concise statement of an invention

access: Availability of a copyrighted work to a defendant so that the defendant had a reasonable opportunity to copy it

acquiescence: Conduct by a person that leads another to believe the owner will not assert certain claims against the other

acquired distinctiveness: See *secondary meaning*

actual reduction to practice: Construction of an invention in physical form, making or testing an invention or its prototype

actual use application: A trademark application based on an applicant's use in interstate commerce of a trademark

Affidavit of Continued Use: Document filed by a trademark registrant between fifth and sixth years and every 10 years after registration verifying the mark is still in use; also called *Declaration of Use* or *Section 8 Affidavit*

Affidavit of Incontestability: Document filed by the owner of a mark registered on the Principal Register after five years of continuous use that reduces the challenges that may be made to a mark; also called *Section 15 Affidavit*

AIA: See *Leahy-Smith America Invents Act*

Amendment to Allege Use: Document filed during prosecution of an intent-to-use trademark application, alleging that use of the mark has begun

America Invents Act: See *Leahy-Smith America Invents Act*

American Inventor's Protection Act: A 1999 federal law providing significant changes to patent law

anonymous work: A copyrighted work in which the author is not identified

anticipation, doctrine of: See *doctrine of anticipation*

Anti-Counterfeiting Trade Agreement: 2010 agreement among 40 countries to combat global counterfeiting and piracy

Anticybersquatting Consumer Protection Act (ACPA): Federal law intended to deter the practice of cybersquatting

arbitrary mark: A mark using a common dictionary word for an unrelated product, such as APPLE for computers

architectural work: The design of a building as embodied in any tangible medium of expression

article of manufacture: See *manufacture*

asexual reproduction: Growing something other than from a seed, often by grafting or placing cuttings in soil

assignment: Transfer of rights in a trademark, copyright, patent, or other property to another

assignment in gross: A purported transfer of a trademark without the business goodwill that the mark symbolizes; it is insufficient to transfer trademark rights

associates: Attorneys in foreign law firms who work with attorneys in U.S. firms regarding intellectual property matters

attribution: The right of an author to be known as the author of a work; also called *the right of paternity*

audiovisual work: A work consisting of a series of related images intended to be shown by the use of a machine such as a projector together with its accompanying sounds

author: For copyright purposes, a person who creates a work or, if the work is one made for hire, the employer or commissioning party

automated database: A body of facts, data, or other information assembled into an organized format suitable for use in a computer and comprising one or more files

B

background: The portion of a specification in a patent application that discusses how the invention differs from the prior art

Berne Convention: An international convention adhered to by more than 160 nations that requires its members to treat nationals of other countries as their own nationals for purposes of copyright

best edition: The deposit edition of a copyrighted work most suitable for purposes of the Library of Congress; generally clean, legible, and superior deposit materials

blackout period: The period after approval of an application for publication in the *Official Gazette* within which an amendment to allege use of a mark cannot be filed

blue penciling: The revision of a noncompetition clause by a court to make it enforceable, generally because it is unreasonable in regard to scope, territory, or duration

blurring: A form of trademark dilution that whittles away the value of a famous trademark through its unauthorized use on a dissimilar product or with a dissimilar service

Board of Patent Appeals and Interferences: See *Patent Trial and Appeal Board*

Boolean search: A method that uses terms and connectors such as *or*, *and*, and *and not* rather than key words to construct searches

broadcast flag: A type of watermark or DRM code that would be required to be embedded into digital television receivers that would “flag” whether a program could be recorded or not

business method patent: A highly controversial type of patent allowed since 1998 that covers a business method that is practically applied or is tied to a machine or involves transformation of matter

C

cancellation: A proceeding initiated after registration of a trademark seeking to cancel registration of a mark registered on the Principal or Supplemental Register

cease and desist letter: Correspondence sent to a party demanding that it cease and desist from certain action (in the intellectual property context, from further use of a trademark, copyright, patent, or trade secret)

central attack: The principle that any trademark registration issued under the Madrid Protocol may be invalidated if the application or registration on which it is based is invalidated

Certificate of Correction: Document used to correct errors in trademark certificates and issued patents

Certificate of Registration: Document issued by the USPTO confirming registration of a trademark

certification mark: A word, name, symbol, or device used by one person (or a union) to certify that the goods or services of others have certain features in regard to quality, material, or some other characteristics

chain of title: Documentation of continuity of ownership or title to a trademark, copyright, patent, or other property right

Chapter I: The first phase of a patent application filed under the Patent Cooperation Treaty, consisting of a search of the application and that can now last for 30 months

Chapter II: The second phase of a patent application filed under the Patent Cooperation Treaty during which an International Preliminary Examination is conducted of the application, generally lasting 10 months

choreographic work: The composition and arrangement of dance movements and patterns

claim: The portion of a specification in a patent application that defines the scope of the invention

click-wrap license: A license of software that comes into existence by the clicking of a computer keystroke, by which act the licensee agrees to terms governing use of the software

coined mark: See *fanciful mark*

collateral use: Acceptable use of another's trademark, such as in comparative advertising; also see *nominative fair use*

collective mark: A mark used by a collective membership organization to identify that the person displaying the mark is a member of the organization

collective work: A work such as a periodical issue or anthology in which numerous contributions, constituting separate and independent works, are assembled into a collective whole

combination patents: New inventions consisting of a combination of older, known elements

commerce: See *interstate* and *intrastate commerce*

commercial disparagement: See *product disparagement*

common law trademark: A mark used by a party without any governmental registration

Community Trademark (CTM) System: A trademark system allowing trademark owners to file one single trademark application that covers all members of the European Union

companion application: Related trademark applications by the same applicant

comparative advertising: Advertising that compares one product or service with another or that states that one product works with or is compatible with another

compensatory damages: Damages awarded to a plaintiff to compensate it for injury suffered

compilation: A work formed by the collection of preexisting material arranged in such a way that the resulting work is original; includes *collective works*

composite mark: A mark consisting of words and a design element

composition of matter: In patent law, a combination of two or more chemical or other materials into a product

comprehensive search: A search of trademarks registered or applied for at the USPTO, state trademark registrations, and common law sources such as periodicals, directories, and the Internet

compulsory license: The imposition of a statutorily set fee for use of a copyrighted work

computer program: A set of instructions used directly or indirectly in a computer to produce a certain result

conception of an invention: The completion of the devising of the means for accomplishing an invention's result

concurrent use proceeding: A proceeding initiated at the Trademark Trial and Appeal Board to determine specific geographic areas in which parties with conflicting marks can each use the mark

confidentiality agreement: See *nondisclosure agreement*

conflicting application: Trademark applications filed by different parties for conflicting or confusingly similar marks

consent agreement: Private agreement entered into between two trademark owners whereby each consents to the use of the other's mark, generally with some limitations or restrictions; also called *consent to use agreement*

constructive reduction to practice: The filing of a patent application that fully discloses an invention

constructive use: Use of trademark other than actual use; for intent-to-use trademark applications, the application filing date constitutes constructive use of the mark (assuming the mark achieves registration)

continuation application: A patent application that claims priority from a previously filed application and contains no new information

continuation-in-part application: A patent application that adds new matter to a previous patent application

contributory infringement: In the intellectual property context, causing, inducing, or assisting in infringement of another's trademark, copyright, or patent

copy: In copyright law, a material object (other than a phonorecord) from which a work can be perceived, reproduced, or communicated, either by human perception or with the help of a machine

copyhoarding: Retaining all rights in a work and refusing to allow others to use it

copylefting: Licensing users of software to use it for any purpose

copyright: Right protecting original works of authorship, including literary, musical, dramatic, artistic, and other works, from unauthorized reproduction, sale, performance, distribution, or display

copyright rights management: See *digital rights management*

counterfeiting: A form of trademark infringement in which a trademark is affixed to goods or services that do not originate with the trademark owner

creation: In copyright law, the fixation of a work in a copy or phonorecord for the first time

cybersquatting: A practice in which a person, without permission, registers another's name or mark as a domain name and then attempts to sell the domain name to its true owner

D

deadwood: Unused marks that the USPTO desires to clear from its records

declaration: A statement by an applicant for a trademark registration acknowledging that statements in the application are true

Declaration of Use: See *Affidavit of Continued Use*

deep linking: The process by which an Internet user can proceed directly to certain information at another's website, by passing the home page at the second site

defensive patenting: The practice of obtaining patents not for the purpose of using or exploiting an invention but for the purpose of avoiding claims of patent infringement by others

de minimis defense: A defense that excuses infringement when what is taken or infringed is trivial or slight

deposit: The best edition of a work provided to the Copyright Office in support of an application to register a copyright for the work

deposit account: Prepaid accounts established with the USPTO, against which application and other fees are drawn by applicants

derivation proceeding: A proceeding before the Patent Trial and Appeal Board to determine the true inventor when a party claims that an earlier applicant derived an invention from him or her and without authorization filed a patent application for it; effective March 16, 2013, derivation proceedings replace interference practice under the AIA

derivative work: A work based on one or more preexisting works, such as a translation, fictionalization, revision, or abridgment; also called a *new version*

descriptive mark: A mark that merely describes some characteristic of the goods or services offered under it and is unregistrable unless secondary meaning is shown

design application: An application for a design patent

design patent: A patent covering new, original, and ornamental designs for useful articles

Digital Millennium Copyright Act (DMCA): A 1988 law updating copyright law for the digital age

digital rights management: Technologies used to control usage, distribution, or access of digital works; also called *copyright rights management*

dilution: Unauthorized acts that tend to blur the distinctiveness of a famous mark or to tarnish it

direct infringement: In patent law, making, using, importing, or selling another's patented invention

disclaimer: In trademark law, an acknowledgment by an applicant that exclusive rights in certain wording in a mark, usually descriptive or generic wording, are not claimed; a notice placed on trademarked goods or advertising that the owner of the goods is not affiliated with another; in patent law, the cancellation of invalid claims in an issued patent

distinctiveness: See *secondary meaning*

divisional application: A patent application separated from another application when the original or parent application covers more than one invention

doctrine of anticipation: Theory that an invention was known or used by others such that its invention was anticipated

doctrine of equivalents: Principle that if an accused invention is equivalent to a patented invention in its purpose and achieves the same result, it infringes the patent even if a claim in the patent is not literally copied

domain name: Internet address used by a company or individual

domestic representative: A person or law firm in the United States designated by a foreign applicant to receive documents and notices affecting a trademark application

double patenting: In patent law, a principle prohibiting the issuance of more than one patent for the same invention

downstream infringement: Infringement by users who obtain copyrighted items from legitimate users

dramatic work: A theatrical performance or play performed for stage, movies, television, or radio

drawing: The display of the mark applied for in a trademark application; may be a *standard character drawing* (typewritten display) or *special form* (a design mark or a design mark with words); the display of an invention in a patent application

droit de suite: A doctrine in foreign countries that allows the authors of fine works to share in the appreciation of those works, even after they have parted with ownership of those works

due diligence: A type of audit of intellectual property, usually conducted when a company is sold, when it borrows money, when it offers securities, or when it acquires another company

duty of candor: Requirement that patent applicants disclose to the USPTO any information that is material to the patentability of a claimed invention

E

eCO: The Copyright Office's electronic system that allows for online filing of applications for copyright registration

electronic file wrapper: Electronic record of documents filed with the USPTO

electronic filing system (EFS): USPTO electronic system allowing secure electronic filing of some documents with the USPTO

Electronic Trademark Assignment System (ETAS): The USPTO's system for electronically filing requests for recordation of assignments of trademarks and other similar documents

equivalents, doctrine of: See *doctrine of equivalents*

e-signature: An electronic rather than a conventional paper signature

estoppel: A defense often raised in infringement actions, alleging the plaintiff is precluded from making certain assertions due to the plaintiff's conduct or acquiescence in the infringement

European Patent Organization: An organization with more than 30 member nations founded in 1973 to provide a uniform patent system in Europe

European Union (EU): An association of 27 European nations

Examiner's Amendment: A written communication from the USPTO setting forth an agreed-upon clarification or correction to a trademark application

exclusion order: Order issued by the International Trade Commission to exclude items that infringe U.S. trademarks, copyrights, or patents from entry into the United States

exclusive license: A grant of rights to one party with no other party having any right

exhaustion theory: In trademark and patent law, the extinguishment or exhaustion of a trademark or patent owner's rights once a lawful first sale has been made of trademarked goods or a patented invention; in copyright law, the extinguishment of a copyright owner's right to distribute a copyrighted work once a lawful first sale has been made; also see *first sale doctrine*

experimental use: Use of an invention to perfect it and that is not considered "public use"

F

fair use: A defense asserted in trademark or copyright infringement actions; a noninfringing use of copyrighted work such as a parody or a use for criticism, scholarly research, or educational purposes

false advertising: False or deceptive representations about one's own goods or services

Family Entertainment and Copyright Act: Legislation enacted in 2005 prohibiting camcording of movies in theaters, allowing copyright preregistration of movies before their release, and permitting individuals to "sanitize" movies to omit objectionable material

fanciful mark: A wholly invented mark; also called *coined mark*

fan fiction: Unauthorized fiction created about preexisting book and movie characters by those other than the original authors, likely infringing the owners' copyright rights and possibly trademark rights

Federal Trade Commission (FTC): The federal regulatory agency charged with protecting consumers from unfair or deceptive acts and practices

Federal Trademark Dilution Act: A 1996 federal statute (and its later amendments) that protects famous marks from uses that weaken or tarnish their distinctiveness, even in the absence of actual confusion; actual harm need not be shown to prevail against such uses; superseded by Trademark Law Dilution Act; see *Trademark Law Dilution Act*

file wrapper: The official USPTO file containing all papers relating to a trademark or patent application

file wrapper estoppel: See *prosecution history estoppel*

filing receipt: Document mailed (or sent by electronic means) by the USPTO to an applicant to confirm filing and details of an application

final action: Action by the USPTO refusing a trademark or patent application; also called *final refusal*

first inventor defense: A defense to patent infringement where an accused infringer asserts that he or she had, in good faith, actually reduced the subject matter of a business method patent to practice at least one year before the effective filing date of the patent and commercially used the subject matter before the effective filing date; under the AIA, the defense applies to all patents; also called *prior user defense*

first sale doctrine: In trademark, copyright, and patent law, the principle that once the owner of genuine trademarked goods, copyrighted material, or a patented item sells it, the buyer can treat the object as his or her own and freely sell, lease, or lend the work to another; in copyright law, the first sale doctrine only affects the right of distribution; also see *exhaustion theory*

first to file system: A patent system followed by all industrialized nations of the world that awards the patent to the first to file the application for the invention; the system the United States will follow after March 16, 2013

first to invent system: The system followed by the United States until March 16, 2013, in which a patent is granted to the first inventor of the invention

fixation: The embodiment of a work in a sufficiently permanent or stable form to permit it to be perceived, reproduced, or communicated for more than a transitory period

foreign filing license: The grant by the USPTO of permission to an inventor to file a patent application in another country for an invention made in the United States, required before a foreign application may be filed

framing: Capture of content from another's website, often obscuring owner's content

freedom to operate: A patent search that is usually conducted before the invention is brought to market and is intended to ensure that the invention does not infringe any patents

freeware: Software that is allowed to be used for free but in which certain rights are maintained to ensure the work is not reverse engineered

functional feature: A feature that is essential to the use or purpose of the product or that affects the cost or quality of the product

G

General Agreement on Tariffs and Trade (GATT): Agreement adhered to by most industrialized nations aimed at increasing international trade and that resulted in some changes to U.S. trademark and patent law, notably relating to the

duration of patent protection; replaced by the World Trade Organization in 1995

genericide: Loss of rights in a trademark occurring when consumers begin calling a product or service offered under a mark by the mark itself

generic mark: An unprotectable common name for a product or service

generic top-level domain: The portion of a domain name to the right of a period, such as “.com” or “.gov”

goodwill: The value inherent in achieving consumer loyalty to a particular product or service through maintenance of consistent quality of the products or services offered under a mark

grace period: A period within which late documents are accepted by the USPTO; in patent law, the one-year period within which a patent application must be filed after the invention is in public use, on sale, or described in a printed publication anywhere until March 16, 2013; after March 16, 2013, the one-year period within which a patent application must be filed after the invention is disclosed by the inventor or one deriving through the inventor

gray market goods: Unauthorized importation of goods into the United States for resale after the goods are distributed in foreign markets

H

homestyle exemption: Exemption allowing proprietors of small commercial establishments to play standard “homestyle” radios and televisions without infringing copyright

house mark: A mark used for a wide range of products or services

hyperlink: A symbol designating another’s Web page

I

idea-expression dichotomy: Doctrine that ideas are not protectable by copyright although the expression of those ideas is copyrightable

idea submission: The submission of an idea for an invention, process, game, or entertainment show in the hope it will be developed and marketed by the recipient

image file wrapper: A system into which all patent applications are electronically scanned and loaded; see also *electronic file wrapper*

impoundment: Seizure, generally of infringing goods

incontestable: A trademark registered on the Principal Register that is protected from certain challenges after its

registrant files a Section 15 Affidavit alleging continuous use for five years

independent contractor: One who renders services in the course of independent occupation; one who is not an employee of another

indirect infringement: Encouraging or inducing another to infringe; liability for indirect patent infringement requires that the defendant know that infringement will occur because of his or her conduct

inducement of infringement: In patent law, actively and intentionally encouraging another to infringe a patent

industrial property: The term used in some foreign countries to refer to intellectual property, especially trademarks and patents

inevitable disclosure doctrine: Principle that if new employment will inevitably lead to disclosure of former employer’s trade secrets, employee can be enjoined from working for new employer

Information Disclosure Statement (IDS): A document filed by an inventor with the USPTO identifying information material to patentability of an invention

infringement: A violation of some right; in the intellectual property context, a violation of a party’s rights in a trademark, copyright, or patent

infringement search: A search that is usually conducted after the inventor has been informed that he or she is violating another’s patent, focusing on examination of this specific and known patent (often with the goal of invalidating this patent)

injunction: A court order prohibiting or compelling some act

innocent infringement: Infringement of another’s intellectual property rights without any intent to infringe; not a valid defense in trademark, copyright, or patent infringement actions

integrity: See *right of integrity*

intellectual property: The result or product of human creativity, including trademarks, copyrights, and inventions; generally, *intellectual property* consists of the fields of trademarks, copyrights, patents, and trade secrets

intellectual property audit: A review of the trademarks, copyrights, patents, and trade secrets owned by a person or company

intent-to-use application: A trademark application for which no actual use of a mark has been made but rather alleging the applicant’s bona fide intent to use the mark in the future

interference: A proceeding before the Trademark Trial and Appeal Board when marks in two pending trademark

applications are confusingly similar or when a mark in a pending application may be confusingly similar to a registered mark that is not yet incontestable; until March 16, 2013, a proceeding initiated by the USPTO and handled by the Board of Patent Appeals and Interferences to determine which of two or more patents has priority and which will be replaced with derivation proceedings after March 16, 2013

international classes: The categorization of goods and services into 45 separate topics for trademark purposes; class(es) of goods or services must be identified in a trademark application

international patent: A patent filed under the Patent Cooperation Treaty

International Trademark Association (INTA): A not-for-profit international association devoted to promoting trademarks

Internet Corporation for Assigned Names and Numbers (ICANN): Nonprofit corporation that oversees the domain naming system

Internet Treaties: Two international copyright treaties adopted by WIPO in 2002 to protect copyright works in the digital environment

inter partes proceedings: Literally, “between parties”; proceedings handled by the Trademark Trial and Appeal Board; may be oppositions, cancellations, interferences, or concurrent use proceedings; effective September 15, 2012, inter partes patent reexamination proceedings to challenge the validity of issued patents will be replaced with inter partes review proceedings

interstate commerce: Commerce between or among states

intrastate commerce: Commerce conducted within the borders of one state

invention developer: One who assists an inventor in bringing a discovery to market or negotiates with others for assignment or licensing of an inventor’s rights; also called an *invention promoter*

invention promoter: See *invention developer*

issue fee: A fee required by the USPTO for a patent to be granted

J

Jepson claim: A type of claim in a patent specification used for improvements to existing inventions that identifies what is new to the invention

joint application: An application for a trademark, copyright, or patent registration made by more than one person

joint inventors: Two or more people who contribute to an invention

joint work: A copyrightable work created by two or more authors with the intent that their contributions be merged into a unitary whole

junior user: A party who adopts and uses a mark similar to that previously used by a senior user

K

key word advertising: Practice of forcing an Internet user to view certain preselected ads when certain “key” terms are entered into a search engine; sometimes called *keying*

knockout search: A preliminary search of USPTO records designed to disclose identical or nearly identical marks; often followed by a *comprehensive search*

L

laboratory notebooks: Books and notes kept by inventors as work progresses on an invention, often used in determining conception of invention and reduction to practice of an invention

laches: An unreasonable delay in asserting one’s rights that causes prejudice or harm to another; a common defense asserted in intellectual property infringement actions

Lanham Act: The federal statute found at 15 U.S.C. §§ 1051 *et seq.* governing the law of trademarks; also called the *United States Trademark Act*

Leahy-Smith America Invents Act: Legislation passed in September 2011 that represents the most significant changes to patent law since the Patent Act of 1952 and that changes the U.S. patent system to a *first to file* system from a *first to invent* system effective March 16, 2013

Library of Congress: The agency charged with examining copyright applications, issuing registrations, and maintaining copyright deposits

license: A limited transfer of rights, such as permission to another to use a trademark, copyright, patent, or trade secret subject to some conditions, rather than an outright transfer of all rights

literal copying: Identical duplication or copying of another’s copyrighted work

literal infringement: An accused invention that falls within the language used in a claim in an issued patent

literary work: A work expressed in words, numbers, or other verbal or numerical symbols, such as a book or computer program

little FTC acts: State statutes that prohibit deceptive and unfair trade practices

logo: A design used as a trademark

M

machine: In patent law, a device that accomplishes a result

Madrid Protocol: An agreement adhered to by more than 80 countries including the EU and U.S. that allows one to seek an “international trademark registration” that would be valid in all member nations

maintenance fees: Fees due at 3½, 7½, and 11½ years after issuance of a utility patent required to keep it in force

Manual of Patent Examining Procedure (MPEP): A USPTO publication containing rules and regulations relating to examination and issuance of patents

manufacture: In patent law, anything made by humans

mark: A trademark or service mark

Markman hearing: Hearing held in front of a judge in a patent infringement case to determine claims construction of a patent; the briefs submitted for the hearing are often called *Markman* briefs

mask works: Stencils used to etch or encode an electronic circuit on a semiconductor chip

merger doctrine: The principle that if there are few alternative ways of expressing something, only literal copying will infringe because the expression merges with the idea and ideas are uncopyrightable

metatag: a trademark hidden into a website such that it is invisible to a viewer but is detectable by a search engine

micro entity: True individual inventors with lower incomes and certain institutions of higher education that are entitled to patent fee reductions of 75 percent under the AIA

mime: See *pantomime*

misappropriation: The taking or using of property created or secured at great effort by another

misuse: A defense often asserted in patent infringement actions alleging that the patentee has so misused its rights that its patent is unenforceable

moral rights: Personal rights retained by authors in their works (often works of fine arts) to protect their honor and reputation even after they no longer own the copyright in the work

motion picture: Audiovisual work consisting of a series of related images that, when shown in succession, impart an impression of motion, together with accompanying sounds

mousetrapping: Practice of trapping an Internet user into viewing a series of advertisements

musical work: Original musical compositions or arrangements, including lyrics

N

naked license: Granting permission to another to use a trademark and retaining no control over the nature or quality of the goods or services offered under the mark; a naked license results in a loss of the licensor’s rights in a mark

national phase: The final phase of a patent application filed under the Patent Cooperation Treaty consisting of prosecution of the patent in countries in which patent protection is desired

national treatment: Principle that member countries adhering to a treaty guarantee to the citizens of other member adherents the same rights in intellectual property matters that they provide to their own citizens

new version: See *derivative work*

nominate fair use: A defense raised in trademark infringement actions, alleging that a defendant used a plaintiff’s mark not to sponsor or endorse its own goods but merely to name the plaintiff’s goods

noncompetition agreement: An agreement prohibiting an employee from competing against the employer during and after the term of employment; also called *restrictive covenant*

nondisclosure agreement: An agreement requiring a party to maintain information in confidence; also called *confidentiality agreement*

nonenabling specification: A specification in a patent application rejected by the USPTO on the basis that it is not sufficient to teach or enable another to make or use the invention

nonexclusive license: A grant of rights to more than one party

nonobviousness: In patent law, the requirement that subject matter sought to be patented be sufficiently different from what has been used or described before such that it may be said to be nonobvious to a person having ordinary skill in the area of technology related to the invention

non-practicing entity: See *patent troll*

North American Free Trade Agreement (NAFTA): A trade agreement entered into in 1991 by the United States, Canada, and Mexico

Notice of Allowance: Document issued by the USPTO informing a trademark applicant that an intent-to-use application has been allowed and granting the applicant a specified time period within which to begin use of the mark in order to secure registration for it; document issued by the USPTO informing a patent applicant that a patent application has been allowed and granting the applicant a specified time period within which to pay an issue fee so a patent will be issued

notice of copyright: A mark informing the public that a work is protected by copyright and identifying its owner and year of publication

Notice of Opposition: The document that initiates a trademark opposition proceeding and that sets forth a short and plain statement of the reasons why the opposer believes he or she will be damaged by registration of a mark

novelty: In patent law, a new invention; one not known or used by another

novelty search: A search of prior art to determine if an invention is new and nonobvious

Nunc Pro Tunc assignment: Assignment prepared on a later date to reflect an earlier transfer

O

object code: A computer language consisting of zeroes and ones that is machine-readable

office action: Written communication from the USPTO refusing registration of a trademark or issuance of a patent and specifying reasons for the issuance of a refusal

official filing receipt: A document or electronic notice issued by the USPTO confirming the filing of a document with the USPTO (often a trademark application or patent application)

Official Gazette: The weekly publication of the USPTO that publishes trademarks for purposes of opposition and publishes information about issued patents and patents available for sale or license

on sale bar: Under 35 U.S.C. § 102(b), effective until March 16, 2103, the doctrine precluding granting of a patent unless a patent application is filed less than one year from the time the invention is in public use, on sale in the United States, or described in printed publication anywhere

opposition: A proceeding initiated at the Trademark Trial and Appeal Board by one who believes he or she may be damaged by registration of a trademark

originality: In copyright law, a work that is independently created (not copied) and that exhibits a minimal amount of creativity

orphan drug: A drug needed to treat a disease affecting fewer than 200,000 people

orphan works: Works that may be subject to copyright protection but whose owners cannot be found and thus for which permission to use is nearly impossible to obtain

P

palming off: See *passing off*

pantomime: A performance using gestures as expression to communicate with no accompanying sound

parallel imports: See *gray market goods*

parent application: An original trademark or patent application that is the source or parent of a later separate application

Paris Convention: An agreement adhered to by more than 170 member nations providing that foreign trademark and patent owners may obtain in a member country the same protection for their trademarks and patents as can citizens of the member country

passing off: Attempting to sell one's goods or services as those of another; also called *palming off*

patent: A grant from the U.S. government permitting its owner to exclude others from making, selling, using, or importing an invention for a limited period of time

patent agent: A nonattorney engineer or scientist who passes a USPTO exam testing patent knowledge and may engage in patent prosecution but may not give legal advice or appear in court

Patent and Trademark Depository Libraries: Public libraries throughout the United States that maintain selected trademark and patent records

Patent Application Information Retrieval (PAIR) System: USPTO electronic system allowing applicants and others to review the status of pending patent applications; may be private or public

patent attorney: A licensed attorney who passes a USPTO exam testing patent knowledge and who may engage in patent prosecution, give legal advice, and appear in court

Patent Cooperation Treaty (PCT): A 1978 treaty adhered to by more than 140 countries that provides a centralized way of filing, searching, and examining patent applications in several countries simultaneously

patentee: The owner of a patent issued by the USPTO

Patent Law Treaty: WIPO treaty entered into force in 2005 to harmonize formal requirements for obtaining patents around the world

patent misuse: See *misuse*

patent pool: Collection of patents owned by various patent owners and that are used to raise revenue by licensing their use to others

Patent Prosecution Highway: A partnership program launched between the USPTO and other IP offices around the world that fast-tracks examination of corresponding patent applications filed in the USPTO and in various foreign IP offices by allowing examiners to reuse search and examination results

patent term adjustment: Additional time granted to term of patent to compensate for certain USPTO delays, interferences, and other matters

patent term extension: Extension of time granted to term of patent to compensate for regulatory review of new drugs, medical devices, and so forth

Patent Trial and Appeal Board: Division of the USPTO that reviews adverse decisions by patent examiners and appeals of reexaminations and conducts derivation proceedings and inter partes reviews and post-grant reviews (until September 16, 2012, this Board was called the Board of Patent Appeals and Interferences)

patent troll: Individual or company that purchases a patent that it does not commercialize and then uses it offensively by threatening litigation to obtain money or licenses from other businesses; also called *non-practicing entities* (or “NPEs”)

patent trust: Groups of companies that purchase patents to use defensively or to keep them out of the hands of patent trolls or non-practicing entities

PCT application: A patent application that has applicability and effect in member nations adhering to the Patent Cooperation Treaty; often called *international application*

peer-to-peer file sharing: Trading of computer files, often songs, from one user’s computer to another’s

performing rights society: An organization of copyright owners (such as ASCAP, BMI, or SoundExchange) that licenses the rights to use copyrighted music to third parties, collects fees or royalties therefor, and remits those fees to its members, the authors of the works (or the sound recording owners, in the case of SoundExchange)

petition to cancel: The document initiating a trademark cancellation proceeding that sets forth a short and plain statement of the reasons a petitioner would be damaged by continued registration of a mark

petition to make special: Request for accelerated examination of patent application due to importance of patent or age or health of inventor

phishing: Practice of inducing computer users to reveal sensitive financial and personal information through the use of legitimate-appearing e-mails or websites that display another’s trademark

phonorecord: A material object in which sounds (other than those accompanying a motion picture or other audiovisual work) are fixed and from which the sounds can be perceived, reproduced, or communicated by human perception or with the help of a machine

pioneer patent: A patent representing an important advance or significant breakthrough

plant application: An application for a patent for a plant

plant patent: A patent covering asexually reproduced and distinct plant varieties

Plant Variety Protection Act: Federal law allowing quasipatent protection for certain sexually reproduced plants

post-grant review: A procedure by which a party who is not the patent owner may file a petition to invalidate a patent on any basis

posting of ports: Monitoring of ports of entry into the United States by U.S. Customs and Border Protection for the purpose of seizing unauthorized goods bearing a party’s registered trademark

preregistration: New copyright procedure allowing owners to preregister certain works that have a history of infringement prior to their release, allowing owners to sue for infringement prior to a work’s commercial release

Principal Register: The most preferred roll or register for registration of trademarks conferring wide protection for a mark and indicating that the mark distinguishes the registrant’s goods and services from those of others

prior art: In patent law, the generally available public knowledge relating to an invention at the time of its creation (until March 16, 2013) or the filing date of a patent application for the invention (after March 16, 2013)

Prioritizing Resources and Organization for Intellectual Property Act: 2008 legislation that created an intellectual property coordinator to oversee domestic and international IP and increased penalties in counterfeiting cases; usually called *PRO-IP Act*

process: A patentable method of doing something to produce a given result

product disparagement: Making false representations about another’s goods or services; also called *trade libel*

progressive encroachment: Use of a trademark that becomes infringement although earlier it may have been permissible; often used by plaintiff to defeat a claim of laches that is asserted by a defendant

prosecution: The process of moving a trademark or patent application through the USPTO

prosecution history estoppel: The principle that an inventor or patentee is bound by acts taken and statements made during the prosecution of a patent and cannot later take an inconsistent position; also called *file wrapper estoppel*

provisional patent application: A patent application that is less formal than a utility patent application; within 12 months of its filing, it must be followed by a standard utility patent application at the USPTO

pseudo mark: A trademark that has numbers or letters in place of actual words, such as “UR” for “you are”

pseudonymous work: A copyrighted work in which the author is identified under a fictitious name, such as the name “Mark Twain” used by Samuel Clemens

publication: The distribution of copies of a work to the public for sale or other transfer of ownership by rental, lease, or lending

public domain: A work or invention that is free for all members of the public to use

puffing: An exaggerated and highly subjective statement upon which no reasonable person would rely; generally, nonactionable opinion

punitive damages: Damages intended to punish a defendant rather than to compensate a plaintiff

R

receiving office: A patent office in which a patent application prepared in accordance with the Patent Cooperation Treaty is filed

recordation: Filing of certain documents with the USPTO, Library of Congress, or other official body to provide public notice of the contents of a document or a transaction, such as an assignment or transfer of intellectual property, a grant of a security interest in intellectual property, or a change in the chain of title of intellectual property

reduction to practice: Construction of an invention in physical form (called *actual reduction to practice*) or filing a patent application for an invention (called *constructive reduction to practice*)

reexamination of patent: Proceeding initiated at the USPTO to review or reexamine a claim in an issued patent to determine its validity; effective September 16, 2012, inter partes reexamination is replaced by inter partes review proceedings, in which a third party challenges an issued patent based on lack of novelty or obviousness

registered user agreement: Agreement by which an owner of a registered mark allows or licenses another to use its mark and is required to be filed by many foreign trademark offices for the grant to be effective

registrant: The owner of a trademark registration issued by the USPTO

registrar: Company that assigns domain names

reissue patent: A proceeding to correct defects in an issued patent or to enlarge the claims of an issued patent

renewal: Document filed with the USPTO or Library of Congress to maintain a trademark or copyright registration for an additional term

Request for Continued Examination: Request by applicant for continued examination of a utility or plant application

Request to Divide: Request by applicant to create a new trademark application, usually in intent-to-use applications, when applicant can proceed to registration for some goods or services and wishes to retain a separate application for goods or services not yet in use

restriction requirement: Requirement by the USPTO that a patent applicant limit a patent application to one invention when two or more distinct inventions are claimed in one application

restrictive covenant: See *noncompetition agreement*

reverse doctrine of equivalents: In patent law, the principle that even if there is literal infringement of claims, if the accused resulting device differs from the patented device, there is no infringement

reverse domain hijacking: The practice of a usually larger company in threatening a smaller company to give up its legitimate domain name; a violation of the UDRP

reverse engineering: Disassembling an object, usually a computer program, to understand its functional elements

reverse passing off: A form of unfair competition in which a defendant misrepresents someone else's goods or services as his or her own

right of integrity: A personal right of a copyright author to ensure that his or her work not be distorted, mutilated, or used in a way that would injure the author's reputation

right of publicity: Protection of a person's identity, voice, likeness, or persona against unauthorized commercial exploitation

royalties: Periodic payments paid by one who uses or licenses property owned or created by another, usually based on sales or licenses of the property

rule of doubt: Policy followed by Copyright Office or USPTO to resolve doubts about copyrightability or trademark applications in favor of copyright applicant or existing trademark registrant, respectively

S

scenes a faire: Literally, “scenes which must be done”; stock characters and devices in a work that are uncopyrightable

secondary considerations: In patent law, nontechnical and objective factors considered in determining whether an invention is nonobvious, namely, its commercial success, the long-felt need for the invention, commercial acquiescence to it by others, and copying of it by others

secondary level domain: The part of a domain name to the left of a period, such as “ibm” in “ibm.com”

secondary meaning: An association by a consumer who has learned to link a mark with its source; also called *acquired distinctiveness*

secrecy order: An order issued by the USPTO requiring that an invention be kept secret and prohibiting publication of it or patent applications for it in another country, generally for national security reasons

Section 8 Affidavit: See *Affidavit of Continued Use*

Section 15 Affidavit: See *Affidavit of Incontestability*

Section 44(d) Application: Trademark application filed with the USPTO by a non-U.S. citizen based upon an application filed in a foreign country

Section 44(e) Application: Trademark application filed with the USPTO by a non-U.S. citizen based upon a registration secured in a foreign country

Section 337 investigation: Proceeding instituted at International Trade Commission aimed at blocking importation of articles that infringe U.S. trademarks, copyrights, or patents

security agreement: In intellectual property law, an agreement by which one party grants an interest to another in its intellectual property, usually in order to obtain or secure a loan; if the owner defaults on the loan, the lender usually obtains ownership of the intellectual property

semiconductor chip: A product having two or more layers of metallic, insulating, or semiconductor material placed on or removed from semiconductor material and intended to perform electronic circuitry functions

senior user: The first party to use a mark

service mark: A word, name, symbol, or device used to indicate the source, quality, and ownership of a service

shareware: Copyrighted software that has been released under the condition that if the user likes it, the user will pay a license fee therefor

shop right: An employer’s nonexclusive royalty-free license to use an invention or trade secret when the employer and employee do not agree in advance about who will own the invention or trade secret conceived by the employee while on company time

shrink-wrap license: A license of software that comes into existence by the opening of the plastic wrapping on the software and by which act the licensee agrees to terms governing use of the software

small entity: A business with fewer than 500 employees, an individual inventor, a university, or a not-for-profit

organization entitled to a 50 percent reduction in many standard patent fees

softlifting: The act of software piracy by which one makes unauthorized copies of computer software

sound recording: A work that results from the fixation of a series of musical, spoken, or other sounds

source code: An alphanumeric computer language that is human-readable

special handling: Expedited processing of copyright applications and other documents for specified reasons upon payment of a fee

specification: The part of a patent application that describes an invention and the manner and process of making and using it

specimens: Samples of tags, labels, packaging, or advertising materials showing how a trademark or service mark is used in commerce

standard character drawing: A trademark or service mark displayed in typed form, with no claim to any particular font style, size, or color; a mark that has no design element

Statement of Use: Document filed by an intent-to-use trademark applicant verifying that the mark is in actual use in interstate commerce; required to receive a trademark registration

statutory damages: Damages awarded by a court in an infringement action as specified by statute, generally elected when a plaintiff will have difficulty proving actual damages

statutory disclaimer: A relinquishment of rights to one or more claims of a patent

statutory invention registration (SIR): An invention “registration” having the defensive attributes of a patent but not the enforceable attributes of a patent; under the AIA, effective March 16, 2013, SIRs will be repealed

streaming: See *webcast*

success screen: A message delivered electronically from the USPTO verifying that a document filed with the USPTO was received

suggestive mark: A mark that suggests something about the goods or services offered under it; a suggestive mark is registrable without proof of secondary meaning

supplemental examination: A procedure under the AIA in which the patent owner requests a reexamination of his or her patent to consider information that was not previously considered or that was incorrect in order to inoculate the patent against a later challenge that the patent is invalid due to patentee’s inequitable conduct

Supplemental Register: The roll or register for marks not qualifying for registration on the USPTO Principal Register;

registration on the Supplemental Register is an indication that the mark does not yet distinguish the registrant's goods or services from those of others

supplementary copyright registration: An application to correct an error or amplify information in a copyright registration

T

takedown notice: Notice served by a copyright owner on an Internet service provider asking it to remove or block access to allegedly infringing material posted on the Internet

tarnishment: A form of dilution in which a famous trademark is portrayed in an unsavory or embarrassing manner

TEAS Plus: Method of filing trademark applications electronically with stricter requirements than TEAS and allowing reduced filing fee

terminal disclaimer: An agreement by an inventor that the term of protection for a second patented invention will terminate upon expiration of the term for the first patented invention

trade dress: The overall image of a product or service

trade libel: See *product disparagement*

trademark: A word, logo, phrase, or device used to indicate the source, quality, and ownership of a product or service; technically, *trademark* refers to a mark that identifies a product, while *service mark* refers to a mark that identifies services

Trademark Applications and Registrations Retrieval (TARR): The USPTO's online search tool allowing searching by application or registration number

trademark compliance policy: A guide to use of a trademark to ensure a mark is not misused or does not become generic or abandoned

Trademark Dilution Revision Act: 2006 amendment to and replacement of 1996 Federal Trademark Dilution Act that eliminated need to prove actual dilution in dilution actions and clarified that likelihood of dilution is a violation

Trademark Document Retrieval (TDR): The USPTO's electronic system allowing review and online retrieval of documents and specimens submitted to the USPTO

Trademark Electronic Application System (TEAS): The USPTO's system allowing electronic filing of many trademark documents

Trademark Electronic Search System (TESS): The USPTO's online search tool allowing searching of trademarks in the USPTO database

Trademark Law Treaty Implementation Act (TLTIA): 1994 treaty implemented in the United States in 1998 and

intended to simplify and streamline trademark registration procedures in numerous countries.

Trademark Manual of Examining Procedure: A USPTO publication containing rules and regulations related to the prosecution and registration of trademarks

Trademark Status Line: System maintained by the USPTO allowing telephonic checking of the status of trademark registrations or applications (800-786-9199 or 571-272-9250)

Trademark Trial and Appeal Board (TTAB): Department of the USPTO that resolves inter partes proceedings and other matters affecting trademarks

trade name: A name used to identify a business or company

Trade-Related Aspects of Intellectual Property Rights (TRIPS): Agreement promulgated in accordance with the 1994 General Agreement on Tariffs and Trade providing intellectual property protection for WTO members

trade secret: Any valuable commercial information that, if known by a competitor, would provide some benefit or advantage to the competitor

trailer clause: A clause in an employment agreement requiring an employee to assign inventions to an employer both during and after employment

traverse: Arguments made in response to objections by the USPTO to a trademark or patent application

TTAB Vue: The Trademark Trial and Appeal Board's system that allows access and viewing of opposition, cancellation, and other inter partes documents filed with the TTAB

typosquatting: Variation of cybersquatting in which one registers misspelled versions of others' domain names to attract visitors for profit

U

unclean hands: A defense often raised in infringement actions; an assertion that the plaintiff's own wrongful conduct precludes him or her from obtaining relief

unfair competition: A branch of law protecting against deceptive and improper conduct in the marketplace

Uniform Domain Name Dispute Resolution Policy (UDRP): Policy adopted by all ICANN registrars, allowing a streamlined and inexpensive dispute resolution procedure for domain name disputes

United States Patent Classification: The system categorizing inventions according to the features of the invention; all relevant patents for a given technology are grouped together by class, with separate classes for design and plant patents

United States Patent and Trademark Office (USPTO): The agency within the Department of Commerce charged with registering trademarks and granting patents

United States Trademark Act: See *Lanham Act*

Universal Copyright Convention (UCC): An international convention relating to copyrights requiring that works originating in a member nation must be given the same protection in all member nations as is granted by the country of origin of the work

Uruguay Round Agreements Act: A 1994 act that implemented GATT and amended U.S. copyright law to provide remedies for pirated sound recordings of live performances and to provide automatic restoration of copyright in certain foreign works; amended U.S. trademark law relating to abandonment of marks and geographic designations for wines and spirits; and amended patent law to harmonize terms of patent protection with that of most foreign countries

useful article: An article having an intrinsic utilitarian value

usefulness: In patent law, a process or invention that is of some present value to society

utility application: A patent application for a new, useful, and nonobvious process, machine, article of manufacture, composition of matter, or some improvement thereof

utility patent: A patent for a useful article, invention, or discovery

V

Vessel Hull Design Protection Act: A portion of the Digital Millennium Copyright Act, providing copyright protection for original designs of boat vessel hulls

vicarious infringement: Liability imposed for infringement on a party due to its special relationship (such as employer–employee) with another infringer

W

warez: More than one piece of pirated software; a site that allows downloading of pirated software; slang term for all content traded on the Internet

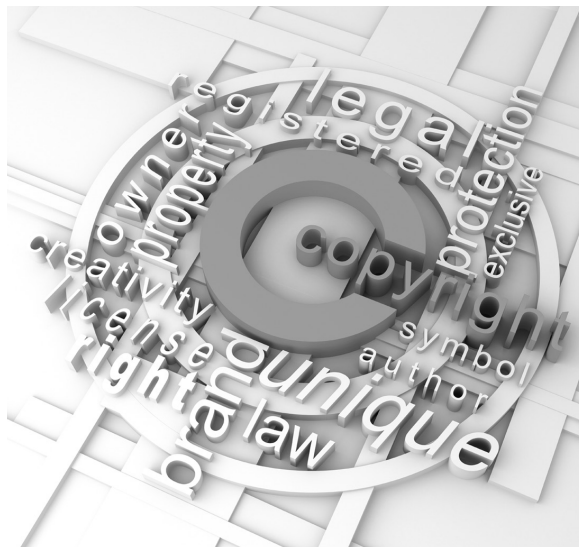
watch service: Service provided by a private company, usually a trademark search firm, to review the *Official Gazette* and USPTO records for potentially conflicting marks

webcast: The broadcast of a radio program over the Internet; also called *streaming*

work made for hire: A work that is presumed to be authored by an employer because it was created by an employee on company time or a work authored by a commissioning party when the parties have agreed in writing that the commissioning party will own the copyright and the work falls into one of nine statutorily enumerated categories

World Intellectual Property Organization (WIPO): A specialized agency of the United Nations with more than 180 member nations that promotes intellectual property throughout the world and administers various multilateral treaties dealing with intellectual property, including the Berne Convention

World Trade Organization (WTO): An international organization established in 1995 with more than 150 member countries, created by the Uruguay Round negotiations to handle trade disputes and monitor national trade policies; the successor to GATT



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APPENDICES

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APPENDIX C Resources

APPENDIX D Forms Appendix

APPENDIX E Selected Statutes

Please note that Internet resources are of a time-sensitive nature and URL addresses may often change or be deleted.

Table of Treaties (Current as of August 2011)

	Berne Convention (164 parties)	Madrid Agreement (56 parties)	Madrid Protocol (84 parties)	Paris Convention (173 parties)	Patent Cooperation Treaty (144 parties)	World Intellectual Property Organization (WIPO) (184 members)	World Trade Organization (153 members) Observer Governments (31)*
Afghanistan						X	*
Albania	X	X	X	X	X	X	X
Algeria	X	X		X	X	X	*
Andorra	X			X		X	*
Angola				X	X	X	X
Antigua and Barbuda	X		X	X	X	X	X
Argentina	X			X	X	X	X
Armenia	X	X	X	X	X	X	X
Australia	X		X	X	X	X	X
Austria	X	X	X	X	X	X	X
Azerbaijan		X	X	X	X	X	*
Bahamas	X			X		X	*
Bahrain	X		X	X	X	X	X
Bangladesh	X			X		X	X
Barbados	X			X	X	X	X
Belarus	X	X	X	X	X	X	*
Belgium	X	X	X	X	X	X	X
Belize	X			X	X	X	X
Benin	X			X	X	X	X
Bhutan	X	X	X	X		X	*
Bolivia	X			X		X	X
Bosnia and Herzegovina	X	X	X	X	X	X	*
Botswana	X		X	X	X	X	X

[illegible]

Table of Treaties (Current as of August 2011) (*Continued*)

	Berne Convention (164 parties)	Madrid Agreement (56 parties)	Madrid Protocol (84 parties)	Paris Convention (173 parties)	Patent Cooperation Treaty (144 parties)	World Intellectual Property Organization (WIPO) (184 members)	World Trade Organization (153 members) Observer Governments (31)*
Egypt	X	X	X	X	X	X	X
El Salvador	X			X	X	X	X
Equatorial Guinea	X			X	X	X	*
Eritrea						X	
Estonia	X		X	X	X	X	X
Ethiopia						X	*
Fiji	X					X	X
Finland	X		X	X	X	X	X
France	X	X	X	X	X	X	X
Gabon	X			X	X	X	X
Gambia	X			X	X	X	X
Georgia	X		X	X	X	X	X
Germany	X	X	X	X	X	X	X
Ghana	X		X	X	X	X	X
Greece	X		X	X	X	X	X
Grenada	X			X	X	X	X
Guatemala	X			X	X	X	X
Guinea	X		X	X	X	X	X
Guinea-Bissau	X		X	X	X	X	X
Guyana	X			X		X	X
Haiti	X			X		X	X
Honduras	X			X	X	X	X
Hong Kong							X
Hungary	X	X	X	X	X	X	X

[illegible]

Table of Treaties (Current as of August 2011) (*Continued*)

	Berne Convention (164 parties)	Madrid Agreement (56 parties)	Madrid Protocol (84 parties)	Paris Convention (173 parties)	Patent Cooperation Treaty (144 parties)	World Intellectual Property Organization (WIPO) (184 members)	World Trade Organization (153 members) Observer Governments (31)*
Madagascar	x		x	x	x	x	x
Malawi	x			x	x	x	x
Malaysia	x			x	x	x	x
Maldives						x	x
Mali	x			x	x	x	x
Malta	x			x	x	x	x
Mauritania	x			x	x	x	x
Mauritius	x			x		x	x
Mexico	x			x	x	x	x
Micronesia (Federated States of)	x						
Moldova, Republic of	x	x	x	x	x	x	x
Monaco	x	x	x	x	x	x	
Mongolia	x	x	x	x	x	x	x
Montenegro	x	x	x	x	x	x	*
Morocco	x	x	x	x	x	x	x
Mozambique		x	x	x	x	x	x
Myanmar						x	x
Namibia	x	x	x	x	x	x	x
Nepal	x			x		x	x
Netherlands	x	x	x	x	x	x	x
New Zealand	x			x	x	x	x
Nicaragua	x			x	x	x	x
Niger	x			x	x	x	x

Table of Treaties (Current as of August 2011) (*Continued*)

	Berne Convention (164 parties)	Madrid Agreement (56 parties)	Madrid Protocol (84 parties)	Paris Convention (173 parties)	Patent Cooperation Treaty (144 parties)	World Intellectual Property Organization (WIPO) (184 members)	World Trade Organization (153 members) Observer Governments (31)*
Somalia						X	
South Africa	X			X	X	X	X
Spain	X	X	X	X	X	X	X
Sri Lanka	X			X	X	X	X
Sudan	X	X	X	X	X	X	*
Suriname	X			X		X	X
Swaziland	X	X	X	X	X	X	X
Sweden	X		X	X	X	X	X
Switzerland	X	X	X	X	X	X	X
Syrian Arab Republic	X	X	X	X	X	X	*
Taipei, China							X
Tajikistan	X	X	X	X		X	*
Tanzania, United Republic of				X	X	X	X
Thailand	X			X	X	X	X
Togo	X			X	X	X	X
Tonga	X			X		X	X
Trinidad and Tobago	X			X	X	X	X
Tunisia	X			X	X	X	X
Turkey	X		X	X	X	X	X
Turkmenistan			X	X	X	X	
Uganda				X	X	X	X
Ukraine	X	X	X	X	X	X	X
United Arab Emirates	X			X	X	X	X

United Kingdom	x			x		x		x		x
United States of America	x			x		x		x		x
Uruguay	x					x		x		x
Uzbekistan	x			x		x		x		*
Vanuatu						x				*
Vatican (Holy See)	x					x		x		*
Venezuela	x					x		x		x
Vietnam	x		x			x		x		x
Yemen	x					x				*
Zambia	x			x		x		x		x
Zimbabwe	x					x		x		x

Note: WIPO also offers a table showing membership in the treaties it administers as well as membership in WIPO and the WTO at the following site: <http://www.wipo.int/treaties/en/summary.jsp>



Appendix B

State Trademark Registration Provisions

Each of the 50 states maintains a Web site offering valuable information, addresses, and, in many cases, trademark application and renewal forms. In most states, the state agency responsible for trademark registration is the secretary of state, usually an elected official. Access to each state's Web site can be gained through <http://www.nass.org/>, the home page for the National Association of Secretaries of State. Follow the directions given and you will be presented with links to each of the 50 member states and the district of Columbia. Alternatively, the sites and http://www.uspto.gov/trademarks/process/State_Trademark_Links.jsp provides links to each of the official state Web sites. Finally, the sites http://www.sos.idaho.gov/tmarks/tmark_allstates.htm and http://www.uspto.gov/trademarks/process/State_Trademark_Links.jsp provide direct links to each state's trademark statutes.

Following is a chart identifying the Web site and physical or mailing address for each secretary of state (often, a direct link to the state's trademark division), together with a citation to the pertinent state trademark statute and a reference to the duration of a trademark registration in each state. Note that there is no entry for the District of Columbia inasmuch as it has no trademark statutes, and trademarks are registrable only under the Lanham Act.

When you access the site for a state's secretary of state, look for entries relating to "Business" or "Corporations," because many states provide their trademark information and forms in these sections.

State Trademark Registration Agencies and Statutes

State and Web Site	Address	Trademark Statute	Registration Term (years)
Alabama http://www.sos.alabama.gov	Alabama Secretary of State P.O. Box 5616 Lands and Trademarks Division Montgomery, AL 36103–5616 (334) 242–5325	Ala. Code §§ 8–12–1 <i>et seq.</i>	5
Alaska http://www.dced.state.ak.us/bsc/tmark.htm	Secretary of State Division of Corporations, Business and Professional Licensing P.O. Box 110806 Juneau, AK 99811–0806 (907) 465–2550	Alaska Stat. §§ 45.50.010 <i>et seq.</i>	5
Arizona http://www.azsos.gov/business-services/tnt	Secretary of State Trade Name Division 1700 W. Washington, 7th Floor Phoenix, AZ 85007 (602) 542–6187	Ariz. Rev. Stat. Ann. §§ 44–1441 <i>et seq.</i>	10
Arkansas http://www.sos.arkansas.gov	Secretary of State Business and Commercial Services 1401 W. Capitol Little Rock, AR 72201 (501) 682–3409	Ark. Code Ann. §§ 4–71–201 <i>et seq.</i>	5
California http://www.sos.ca.gov	Secretary of State Trademarks and Service Marks P.O. Box 942877 Sacramento, CA 94277–0001 (916) 653–3984	Cal. Bus. & Prof. Code §§ 14200 <i>et seq.</i>	10
Colorado http://www.sos.state.co.us	Secretary of State Business Division 1700 Broadway, Suite 200 Denver, CO 80290 (303) 894–2200	Colo. Rev. Stat. §§ 7–70–101 <i>et seq.</i>	5
Connecticut http://www.sots.ct.gov	Secretary of State Commercial Recording Division 30 Trinity Street P.O. Box 150470 Hartford, CT 06115–0470 (860) 509–6003	Conn. Gen. Stat. §§ 35–11a <i>et seq.</i>	5

(Continues)

State Trademark Registration Agencies and Statutes (*Continued*)

State and Web Site	Address	Trademark Statute	Registration Term (years)
Delaware http://corp.delaware.gov	Department of State Division of Corporations Trademark Filings 410 Federal Street Suite 4 Dover, DE 19901 (302) 739-3073	Del. Code Ann. tit. 6, §§ 3301 <i>et seq.</i>	10
District of Columbia		Trademark registrable under Lanham Act only	
Florida http://sunbiz.org	Department of State Division of Corporations P.O. Box 6327 Tallahassee, FL 32314 (850) 245-6051	Fla. Stat. Ann. §§ 495.011 <i>et seq.</i>	5
Georgia http://www.sos.georgia.gov	Secretary of State 315 West Tower 2 Martin Luther King, Jr., Drive Atlanta, GA 30334 (404) 656-2861	Ga. Code Ann. §§ 10-1-440 <i>et seq.</i>	10
Hawaii http://hawaii.gov/dcca/breg/registration/trade	Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant St. P.O. Box 40 Honolulu, HI 96810 (808) 586-2744	Haw. Rev. Stat. §§ 482-21 <i>et seq.</i>	5
Idaho http://www.sos.idaho.gov	Secretary of State Trademark Division 450 N. 4th Street P.O. Box 83720 Boise, ID 83720-0080 (208) 332-2810	Idaho Code §§ 48-501 <i>et seq.</i>	10
Illinois http://www.cyberdriveillinois.com	Secretary of State Department of Business Services, Trademark Division 3rd Floor, Howlett Building Springfield, IL 62756 (217) 524-0400	765 Ill. Comp. Stat. §§ 1036/1 <i>et seq.</i>	5

(*Continues*)

State Trademark Registration Agencies and Statutes (*Continued*)

State and Web Site	Address	Trademark Statute	Registration Term (years)
Indiana http://www.in.gov/sos/business/trademark/2379.htm	Secretary of State Business Services 302 W. Washington Room E-018 Indianapolis, IN 46204 (317) 232-6540	Ind. Code §§ 24-2-1-0.5 <i>et seq.</i>	5
Iowa http://www.sos.state.ia.us	Secretary of State Business Services Division Lucas Building, 1st Floor Des Moines, IA 50319 (515) 281-5204	Iowa Code §§ 548.101 <i>et seq.</i>	5
Kansas http://www.kssos.org/main.html	Secretary of State Business Services Memorial Hall 1st Floor 120 SW 10th Avenue Topeka, KS 66612-1594 (785) 296-4564	Kan. Stat. Ann. §§ 81-201 <i>et seq.</i>	5
Kentucky http://sos.ky.gov/business/trademarks	Secretary of State Trademarks and Service Marks 700 Capital Ave., Suite 158 Frankfort, KY 40601 (502) 564-3490	Ky. Rev. Stat. Ann. §§ 365.561 <i>et seq.</i>	5
Louisiana http://www.sos.la.gov	Department of State Commercial Division P.O. Box 94125 Baton Rouge, LA 70804-9125 (225) 925-4704	La. Rev. Stat. Ann. §§ 51:211 <i>et seq.</i>	10
Maine http://www.maine.gov/sos/cec/corp/trademarks.html	Secretary of State Division of Corporations 101 State House Station Augusta, ME 04333-0101 (207) 624-7752	Me. Rev. Stat. Ann. tit. 10, §§ 1521 <i>et seq.</i>	10
Maryland http://www.sos.state.md.us	Secretary of State Trademark Division State House Annapolis, MD 21401 (410) 974-5521	Md. Bus. Reg. Code Ann. §§ 1-401 <i>et seq.</i>	10

(Continues)

State Trademark Registration Agencies and Statutes (*Continued*)

State and Web Site	Address	Trademark Statute	Registration Term (years)
Massachusetts http://www.sec.state.ma.us	Secretary of the Commonwealth Corporations Division One Ashburton Place, 17th Floor Boston, MA 02108 (617) 727-9640	Mass. Ann. Laws ch. 110H, §§ 1 <i>et seq.</i>	10
Michigan http://www.michigan.gov/lara	Michigan Department of Licensing and Regulatory Affairs Bureau of Commercial Services Corporation Division P.O. Box 30054 Lansing, MI 48909 (517) 241-6400	Mich. Comp. Laws. §§ 429.31 <i>et seq.</i>	10
Minnesota http://www.sos.state.mn.us	Secretary of State Business Services 60 Empire Drive, Suite 100 St. Paul, MN 55103 (651) 296-2803	Minn. Stat. Ann. §§ 333.18 <i>et seq.</i>	10
Mississippi http://www.sos.ms.gov	Secretary of State P.O. Box 136 Jackson, MS 39205-0136 (601) 359-1633	Miss. Code Ann. §§ 75-25-1 <i>et seq.</i>	5
Missouri http://www.sos.mo.gov/business/trademark.asp	Secretary of State Commissions Division P.O. Box 784 Jefferson City, MO 65102 (573) 751-2783	Mo. Rev. Stat. §§ 417.005 <i>et seq.</i>	10
Montana http://sos.mt.gov	Secretary of State Business Services Bureau P.O. Box 202801 Helena, MT 59620 (406) 444-3665	Mont. Code Ann. §§ 30-13-301 <i>et seq.</i>	5
Nebraska http://www.sos.ne.gov	Secretary of State Room 1301 State Capitol Building P.O. Box 94608 Lincoln, NE 68509 (402) 471-4079	Neb. Rev. Stat. §§ 87-127 <i>et seq.</i>	10

(*Continues*)

State Trademark Registration Agencies and Statutes (*Continued*)

State and Web Site	Address	Trademark Statute	Registration Term (years)
Nevada http://www.nvsos.gov	Secretary of State 555 E. Washington Ave, Suite 5200 Las Vegas, NV 89101 (702) 486-2880	Nev. Rev. Stat. §§ 600.240 <i>et seq.</i>	5
New Hampshire http://www.sos.nh.gov	Secretary of State Corporation Division State House 107 N. Main Street Concord, NH 03301 (603) 271-3244	N.H. Rev. Stat. Ann. §§ 350-A:1 <i>et seq.</i>	10
New Jersey http://www.nj.gov/treasury/revenue	Division of Revenue P.O. Box 453 Trenton, NJ 08646-0453 (609) 292-9292	NJ. Stat. Ann. § 56:3-13.1a <i>et seq.</i>	5
New Mexico http://www.sos.state.nm.us	Secretary of State 325 Don Gaspar, Suite 301 Santa Fe, NM 87503 (505) 827-3600	N.M. Stat. Ann. §§ 57-3B-1 <i>et seq.</i>	10
New York http://www.dos.state.ny.us	Department of State Division of Corporations, State Records and Uniform Commercial Code One Commerce Plaza 99 Washington Avenue Albany, NY 12231-0001 (518) 474-4770	N.Y. Gen. Bus. Law §§ 360 <i>et seq.</i>	10
North Carolina http://www.secretary.state.nc.us	Secretary of State Trademark Section P.O. Box 29622 Raleigh, NC 27626-0622 (919) 807-2000	N.C. Gen. Stat. §§ 80-1 <i>et seq.</i>	10
North Dakota http://www.nd.gov/sos/businessserv	Secretary of State Business Information/ Registration Division State Capitol 600 E. Boulevard Avenue, Dept. 108 Bismarck, ND 58505-0500 (701) 328-4284	N.D. Cent. Code §§ 47-22-01 <i>et seq.</i>	10

(Continues)

State Trademark Registration Agencies and Statutes (*Continued*)

State and Web Site	Address	Trademark Statute	Registration Term (years)
Ohio http://www.sos.state.oh.us/sos/businessservices.aspx	Secretary of State P.O. Box 1329 Columbus, OH 43216 (614) 466-3910 or (877) SOS-FILE	Ohio Rev. Code Ann. §§ 1329.54 <i>et seq.</i>	10
Oklahoma http://www.sos.ok.gov	Secretary of State 2300 N. Lincoln Boulevard, Room 101 Oklahoma City, OK 73105-4897 (405) 521-3912	Okla. Stat. Ann. tit. 78, §§ 21 <i>et seq.</i>	10
Oregon http://www.filinginoregon.com	Secretary of State Corporation Division 255 Capitol Street, NE, Suite 151 Salem, OR 97310-1327 (503) 986-2200	Or. Rev. Stat. §§ 647.005 <i>et seq.</i>	5
Pennsylvania http://www.dos.state.pa.us/corps	Department of State Corporation Bureau P.O. Box 8722 Harrisburg, PA 17105-8722 (717) 787-1057	54 Pa. Cons. Stat. Ann. §§ 1101 <i>et seq.</i>	5
Rhode Island http://sos.ri.gov/business	Secretary of State Trademark Section 148 W. River Street Providence, RI 02904-2615 (401) 222-3040	R.I. Gen. Laws §§ 6-2-1 <i>et seq.</i>	10
South Carolina http://www.scsos.com/trademarks	Secretary of State 1205 Pendleton Street Suite 525 P.O. Box 11350 Columbia, SC 29201 (803) 734-0629	S.C. Code Ann. §§ 39-15-1105 <i>et seq.</i>	5
South Dakota http://sdsos.gov	Secretary of State Trademarks Division Capitol Building 500 East Capitol Avenue Pierre, SD 57501-5070 (605) 773-3539	S.D. Codified Laws §§ 37-6-1 <i>et seq.</i>	4

(*Continues*)

State Trademark Registration Agencies and Statutes (*Continued*)

State and Web Site	Address	Trademark Statute	Registration Term (years)
Tennessee http://tennessee.gov/sos/ bus_svc/trademarks.htm	Secretary of State Trademarks Unit 6th Floor, William R. Snodgrass Tower 312 Eighth Avenue North Nashville, TN 37243 (615) 741-0531	Tenn. Code Ann. §§ 47-25-501 <i>et seq.</i>	5
Texas http://www.sos.state.tx.us	Secretary of State Corporations Section P.O. Box 13697 Austin, TX 78711-3697 (512) 463-5555	Tex. Bus. & Com. Code Ann. §§ 16.01 <i>et seq.</i>	10
Utah http://corporations.utah.gov/ index.html	Division of Corporations and Commercial Code 160 E. 300 S. 2nd Floor Salt Lake City, UT 84114 (801) 530-4849	Utah Code Ann. §§ 70-3a-101 <i>et seq.</i>	5
Vermont http://www.sec.state.vt.us	Secretary of State Corporations Division 128 State Street Montpelier, VT 05633 (802) 828-2386	Vt. Stat. Ann. tit. 9, §§ 2521 <i>et seq.</i>	10
Virginia http://www.scc.virginia.gov/srf/ index.aspx	State Corporations Commission Division of Securities & Retail Franchising P.O. Box 1197 Richmond, VA 23218 (804) 371-9051	Va. Code Ann. §§ 59.1-92.1 <i>et seq.</i>	5
Washington http://www.sos.wa.gov	Secretary of State Corporations Division 801 Capitol Way S. P.O. Box 40234 Olympia, WA 98504-0234 (360) 753-0377	Wash. Rev. Code §§ 19.77.010 <i>et seq.</i>	5

(Continues)

State Trademark Registration Agencies and Statutes (*Continued*)

State and Web Site	Address	Trademark Statute	Registration Term (years)
West Virginia http://www.sos.wv.gov	Secretary of State State Capitol, W-139 1900 Kanawha Boulevard E. Charleston, WV 25305-0770 (304) 558-8000	W. Va. Code §§ 47-2-1 <i>et seq.</i>	10
Wisconsin http://www.sos.state.wi.us/	Secretary of State Trademark Records P.O. Box 7848 Madison, WI 53707-7848 (608) 266-5653	Wis. Stat. §§ 132.01 <i>et seq.</i>	10
Wyoming http://soswy.state.wy.us	Secretary of State Corporations Division/ Trademarks 200 W. 24th Street Capitol Building, Room 110 Cheyenne, WY 82002 (307) 777-7311	Wyo. Stat. §§ 40-1-101 <i>et seq.</i>	5



Appendix C

Resources

WEBSITES

There are innumerable Websites that offer tremendous information about intellectual property. Most offer the advantage of providing links to other relevant sites. Some of the most useful Websites follow. Please note the Internet resources are of a time-sensitive nature and URL addresses may often change or be deleted.

Government sites

<http://www.uspto.gov>

United States Patent and Trademark Office. General information about trademarks and patents, fee schedules, how-to guides, forms, list of patent and trademark database libraries, searchable databases of trademarks and issued patents, information about the USPTO, text of *Trademark Manual of Examining Procedure* and *Manual of Patent Examining Procedure*, links to related Websites, information relating to the PCT, and access to laws, regulations, and proposed laws.

http://www.copyright.gov	United States Copyright Office. General information about copyrights and registration procedures, access to copyright records and registrations, general information about the Copyright Office, access to forms and circulars, links to copyright law and legislation, and updates regarding pending legislation affecting copyrights.
http://www.fdsys.gov	Home page of the Federal Digital System, formerly the Government Printing Office, providing direct links to the United States Code, <i>Federal Register</i> , <i>Congressional Record</i> , and <i>Code of Federal Regulations</i> , as well as access to Congressional bills and documents.
http://www.justice.gov/criminal/cybercrime	Computer Crime and Intellectual Property Section home page of the Department of Justice, offering information relating to computer and IP crimes.
http://www.ftc.gov	United States Federal Trade Commission. General information about deceptive, false, and unfair trade practices.
http://www.cbp.gov	United States Customs and Border Protection. Allows recordation of registered trademarks and copyrights to stop infringing imports.
http://www.usitc.gov	United States International Trade Commission home page, providing information about Section 337 proceedings relating to trademark, copyright, and patent infringement.

Organization Sites

http://www.inta.org	Home page for International Trademark Association, offering a wealth of information relating to trademarks and links to other useful sites.
http://www.wipo.int	Home page of the World Intellectual Property Organization, providing full text of treaties affecting intellectual property, such as the Paris Convention, Berne Convention, Madrid Protocol, Patent Cooperation Treaty, Patent Law Treaty, and other useful international agreements.
http://www.epo.org	Site of the European Patent Office offering information relating to the EPO, its members, and patent grant procedures.
http://www.wto.org	Site of the World Trade Organization, which deals with trade among nations; the site offers information about and the text of TRIPS.
http://www.aipla.org	Home page of the American Intellectual Property Law Association, providing general information about trademarks, copyrights, and patents; links to other IP-related sites; notices of USPTO rules changes; and access to various publications.
http://www.abanet.org/intelprop	Website for American Bar Association's Section of Intellectual Property Law, offering general information relating to intellectual property and links to numerous IP-related sites, including those of many foreign patent and trademark offices, and access to the Section's quarterly newsletter.
http://www.icann.org	Home page of Internet Corporation for Assigned Names and Numbers, the organization that has assumed responsibility for domain name system management and offering text of Uniform Domain Name Dispute Resolution Policy as well as information about new domains.
http://www.siia.net	Home page of the Software & Information Industry Association, providing sample Internet usage policies and other related information.
http://www.bsa.org	Home page of the Business Software Alliance, providing antipiracy information and information on copyright and software-related issues.

Educational Institution Sites

http://www.law.cornell.edu	Cornell University Law School's Legal Information Institute, offering easy access to the <i>United States Code</i> (for trademark, copyright, and patent statutes) as well as recent Supreme Court decisions; a primer on trademark, copyright, and patent law; and links to the Lanham Act, the Copyright Act, the Patent Act, international conventions, and many other primary sources.
www.law.cornell.edu/uscode	Cornell University Law School's site offering easy searching techniques for the <i>United States Code</i> , searching by popular name, keyword, or specific section cite.
www.law.cornell.edu/copyright/regulations/regs.overview.html	Title 37 of the <i>Code of Federal Regulations</i> , providing regulations pertaining to the Copyright Office and registration procedures.
www.law.cornell.edu/treaties/berne/overview.html	Full text of the Berne Convention.
http://ipmall.info	Home page of the University of New Hampshire School of Law (formerly Franklin Pierce Law Center) Pierce Law Center's "IP Mall," arguably one of the best IP sites in existence, and offering access to hundreds of articles relating to IP, tools and strategies for IP professionals, basic IP info, and a comprehensive listing of other Websites and resources available on the Internet.
http://fairuse.stanford.edu	Stanford University's Copyright & Fair Use site, offering links to numerous valuable sites, resources, articles, and numerous journals relating to intellectual property law, with a special emphasis on copyright law.

Commercial Sites

http://www.ascap.com , http://www.bmi.com , and http://www.sesac.com	Home pages of the performing rights societies ASCAP, BMI, and SESAC, offering general information about copyright licensing, summaries of new and pending legislation, and information about their music repertoires.
http://www.soundexchange.com	SoundExchange is a performing rights organization that collects royalties for streaming sound recordings.
http://trademarks.thomsonreuters.com	Thomson CompuMark, the internationally known trademark and copyright search firm, offers fee-based trademark searches.
http://www.corsearch.com	CT Corsearch, the well-known trademark and copyright search firm, offers fee-based search services.
http://www.law.com	Law.com is the preeminent legal news and information network, connecting to more than 20 national and regional legal publications online and delivering current legal news electronically.
http://www.megalaw.com	Megalaw aims to be a full-service source for the legal community. Access "Law Topic Pages" and then select "Intellectual Property Law Center" for links to Websites, IP resources, and news and publications relating to IP law.
http://www.gigalaw.com	This site provides legal information for Internet and technology professionals. Sign up for "GigaLaw.com Daily News" for daily news updates on topics related to IP law.

http://www.allaboutforms.com	Site providing numerous legal forms, including forms for nondisclosure agreements, employment agreements, and assignments and licenses of trademarks, copyrights, and patents.
http://lp.findlaw.com	A general purpose legal search engine that is an excellent starting place for IP research; select “by Practice Area” and then click on “Intellectual Property” for a wealth of IP-related information; you may also sign up to subscribe to FindLaw’s newsletters offering general information relating to a variety of legal topics, including intellectual property law and cyberspace law; updates are sent via e-mail and are easy to read and topical.
http://www.lectlaw.com	The “Lectric Law Library,” offering general legal information, including IP-related forms such as forms for assignments of IP and noncompete agreements.
http://www.benedict.com	The Copyright Website, providing practical information relating to copyrights, including an overview of basic issues, late-breaking news, a copyright discussion group, and audio and visual examples of famous copyright infringements.
http://www.copyright.com	Home page of the Copyright Clearance Center, offering guidelines for creating policies for copyright compliance and permission to use copyrighted materials.
http://www.nolo.com	Home page of Nolo Press, providing self-help information about a variety of legal topics, including trademarks, copyrights, patents, Internet law, and trade secrets. Select “Patent, Trademark, and Copyright.”
http://www.yet2.com , http://www.ipauctions.com , and http://www.oceantomo.com	Websites offering information on valuation and buying and selling IP assets as well as managing IP license portfolios.
http://www.markwatch.com	Home page of MarkWatch, a company that monitors the Internet for potential trademark infringers.

Law Firm Sites

http://www.kuesterlaw.com	Website by Georgia intellectual property law attorney, offering basic IP information with a special emphasis on patent law and providing direct links to IP statutes, regulations, and cases.
http://www.ipcounselors.com	Home page of Epstein Drangel of New York City, offering general IP information as well as a free subscription to the firm’s e-mail newsletter on IP topics and cases.
http://www.piperpat.com	Home page of Pipers IP law firm in New Zealand, providing a directory of more than 100 foreign patent offices with direct links to the home pages for the foreign patent offices.
http://www.oblon.com	Home page of Oblon Spivak PC, of Arlington, Virginia, providing articles and links to recent TTAB decisions, IP news, and IP sources.
http://tradesecretshomepage.com	The Trade Secrets Home Page, provided by attorney R. Mark Halligan of Chicago, offering a wealth of information on trade secrets law.

http://www.ladas.com	Home page for Ladas & Parry LLP, offering numerous articles on a variety of IP-related topics and e-mail bulletins.
http://www.fr.com	Website of Fish & Richardson, providing news and information relating to IP topics, including e-mail bulletins and Webinars.
http://www.eff.org	Website of Electronic Frontier Foundation, offering information on copyright, privacy, and free speech issues.
http://www.patentlyo.com	The Patent Law Blog offers articles, comments, and timely information on patent-related issues.

GOVERNMENT AGENCIES

U.S. Patent and Trademark Office

Mail Stop _____

Commissioner for Patents

P.O. Box 1450

Alexandria, VA

22313-1450

(800) 786-9199

U.S. Patent and Trademark Office

Commissioner for Trademarks

P.O. Box 1451

Alexandria, VA

22313-1451

(800) 786-9199

Register of Copyrights

Copyright Office, Library of Congress

101 Independence Avenue, SE

Washington, DC 20559-6000

Telephone: (202) 707-3000

STATE RESOURCES

All states now have Internet home pages. In many instances, access can be gained by typing “www.” and then adding the state’s initials (e.g., “ca” for

California or “ny” for New York), and then adding “.gov.” Alternatively, access www.findlaw.com and select “States” or www.megalaw.com and select “State Law.” You will be presented with a list of the 50 states. By pointing the cursor to the appropriate state, you will be provided with links to that state’s resources, including case law and legislation. Use general search terms such as *trademarks* or *unfair competition* to locate pertinent information.

ORGANIZATIONS

World Intellectual Property Organization

34, Chemin des Colombettes

P.O. Box 18

CH 1211 Geneva 20, Switzerland

Telephone: (41-22) 338 91 11

<http://www.wipo.int>

European Patent Office-Headquarters

80298 Munich, Germany

Telephone: (49-89) 23 99-0

<http://www.epo.org>

International Trademark Association

655 Third Avenue, 10th Floor

New York, NY 10017-5617

Telephone: (212) 642-1700

<http://www.inta.org>

THE LAW LIBRARY

There are innumerable texts and treatises relating to intellectual property law. Locate the section of your law library that includes the IP materials (they will all be brought together in the same section or stacks).

Browse the shelves and examine the materials. You will find a wide range of texts, from the academic to the thoroughly practical, with many books offering forms, practice tips, and suggestions. Westlaw and Lexis also offer many treatises and journals in their electronic collections.



Appendix D

Forms Appendix

Form 1	Trademark Application
Form 2	Statement of Use
Form 3	Request for Extension of Time to File a Statement of Use
Form 4	Combined Affidavit under Sections 8 and 15 of the Lanham Act
Form 5	Application for Renewal of Trademark Registration (Combined with Declaration of Use under Section 8 of the Lanham Act)
Form 6	Request for Extension of Time to File Notice of Opposition
Form 7	Opposition to Registration of Trademark
Form 8	Consent to Use and Register Agreement
Form 9	Petition to Cancel Trademark Registration
Form 10	Complaint for Trademark Infringement
Form 11	Trademark Settlement Agreement
Form 12	Work for Hire Provisions
Form 13	Copyright Application Form CO
Form 14	Employee Nondisclosure and Noncompetition Agreement
Form 15	Evaluation Agreement
Form 16	Confidentiality Agreement

No copyright is claimed in any materials of the U.S. government, including Forms 1 through 7, 9, and 13.

Form 1

TRADEMARK APPLICATION

PTO Form 1478 (Rev 6/2005)

OMB No. 0651-0009 (Exp xx/xx/xxxx)

Trademark/Service Mark Application, Principal Register**Serial Number: 78621804****Filing Date: 05/03/2005****The table below presents the data as entered.**

Input Field	Entered
MARK SECTION	
MARK	ITUNES
STANDARD CHARACTERS	YES
USPTO-GENERATED IMAGE	YES
LITERAL ELEMENT	ITUNES
MARK STATEMENT	The mark consists of standard characters, without claim to any particular font, style, size, or color.
OWNER SECTION	
NAME	Apple Computer, Inc.
STREET	1 Infinite Loop
CITY	Cupertino
STATE	California
ZIP/POSTAL CODE	95014
COUNTRY	United States
PHONE	408-974-2385
FAX	408-253-0186
AUTHORIZED EMAIL COMMUNICATION	No
LEGAL ENTITY SECTION	
TYPE	CORPORATION
STATE/COUNTRY OF INCORPORATION	California
GOODS AND/OR SERVICES SECTION	
INTERNATIONAL CLASS	009

Form 1 (continued)

DESCRIPTION	Gift cards, store cards and gift certificates; non-magnetically encoded cards for use in consumer transactions; non-magnetically encoded prepaid cards for the purchase of news, sports and entertainment content.
FILING BASIS	Section 1(a)
FIRST USE ANYWHERE DATE	At least as early as 02/29/2004
FIRST USE IN COMMERCE DATE	At least as early as 02/29/2004
SPECIMEN FILE NAME(S)	\\TICRS\EXPORT10\IMAGEOUT 10\786\218\78621804\xml1\APP0003.JPG
SPECIMEN DESCRIPTION	Specimen consists of digital photograph of iTunes gift card.
ADDITIONAL STATEMENTS SECTION	
PRIOR REGISTRATION(S)	Applicant claims ownership of U.S. Registration Number(s) 2828093 and 2653465.
SIGNATURE SECTION	
SIGNATURE	/Thomas R. La Perle/
SIGNATORY NAME	Thomas R. La Perle
SIGNATORY DATE	05/03/2005
SIGNATORY POSITION	Senior Intellectual Property Counsel
PAYMENT SECTION	
NUMBER OF CLASSES	1
NUMBER OF CLASSES PAID	1
SUBTOTAL AMOUNT	325
TOTAL AMOUNT	325
ATTORNEY	
NAME	Thomas R. La Perle
FIRM NAME	Apple Computer, Inc.
INTERNAL ADDRESS	MS: 3TM
STREET	1 Infinite Loop
CITY	Cupertino
STATE	California

Form 1 (continued)

ZIP/POSTAL CODE	95014
COUNTRY	United States
PHONE	408-974-2385
FAX	408-253-0186
AUTHORIZED EMAIL COMMUNICATION	No
ATTORNEY DOCKET NUMBER	TM 8621
CORRESPONDENCE SECTION	
NAME	Thomas R. La Perle
FIRM NAME	Apple Computer, Inc.
INTERNAL ADDRESS	MS: 3TM
STREET	1 Infinite Loop
CITY	Cupertino
STATE	California
ZIP/POSTAL CODE	95014
COUNTRY	United States
PHONE	408-974-2385
FAX	408-253-0186
AUTHORIZED EMAIL COMMUNICATION	No
FILING INFORMATION	
SUBMIT DATE	Tue May 03 18:05:09 EDT 2005
TEAS STAMP	USPTO/BAS-1719312133-2005 0503180509990003-78621804 -2004d456537fa19a1676480e ab8ccd07b5-DA-75-20050503 180158106031

Form 1 (continued)

PTO Form 1478 (Rev 6/2005)

OMB No. 0651-0009 (Exp xx/xx/xxxx)

Trademark/Service Mark Application, Principal Register

Serial Number: 78621804

Filing Date: 05/03/2005

To the Commissioner for Trademarks:

MARK: (Standard Characters, see mark)

The mark consists of standard characters, without claim to any particular font, style, size, or color.

The literal element of the mark consists of ITUNES.

The applicant, Apple Computer, Inc., a corporation of California, residing at 1 Infinite Loop, Cupertino, California, United States, 95014, requests registration of the trademark/service mark identified above in the United States Patent and Trademark Office on the Principal Register established by the Act of July 5, 1946 (15 U.S.C. Section 1051 et seq.), as amended.

The applicant, or the applicant's related company or licensee, is using the mark in commerce, and lists below the dates of use by the applicant, or the applicant's related company, licensee, or predecessor in interest, of the mark on or in connection with the identified goods and/or services. 15 U.S.C. Section 1051 (a), as amended.

International Class 009: Gift cards, store cards and gift certificates; non-magnetically encoded cards for use in consumer transactions; non-magnetically encoded prepaid cards for the purchase of news, sports and entertainment content.

In International Class 009, the mark was first used at least as early as 02/29/2004, and first used in commerce at least as early as 02/29/2004, and is now in use in such commerce. The applicant is submitting or will submit one specimen for *each class* showing the mark as used in commerce on or in connection with any item in the class of listed goods and/or services, consisting of a(n) Specimen consists of digital photograph of iTunes gift card..

Specimen - 1

Applicant claims ownership of U.S. Registration Number(s) 2828093 and 2653465.

The applicant hereby appoints Thomas R. La Perle of Apple Computer, Inc., MS: 3TM, 1 Infinite Loop, Cupertino, California, United States, 95014 to submit this application on behalf of the applicant.

The attorney docket/reference number is TM 8621.

A fee payment in the amount of \$325 will be submitted with the application, representing payment for 1 class(es).

Form 1 (continued)**Declaration**

The undersigned, being hereby warned that willful false statements and the like so made are punishable by fine or imprisonment, or both, under 18 U.S.C. Section 1001, and that such willful false statements, and the like, may jeopardize the validity of the application or any resulting registration, declares that he/she is properly authorized to execute this application on behalf of the applicant; he/she believes the applicant to be the owner of the trademark/service mark sought to be registered, or, if the application is being filed under 15 U.S.C. Section 1051 (b), he/she believes applicant to be entitled to use such mark in commerce; to the best of his/her knowledge and belief no other person, firm, corporation, or association has the right to use the mark in commerce, either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods/services of such other person, to cause confusion, or to cause mistake, or to deceive; and that all statements made of his/her own knowledge are true; and that all statements made on information and belief are believed to be true.

Signature: /Thomas R. La Perle/ Date: 05/03/2005

Signatory's Name: Thomas R. La Perle

Signatory's Position: Senior Intellectual Property Counsel

Mailing Address:

Thomas R. La Perle

MS: 3TM

1 Infinite Loop

Cupertino, California 95014

RAM Sale Number: 75

RAM Accounting Date: 05/04/2005

Serial Number: 78621804

Internet Transmission Date: Tue May 03 18:05:09 EDT 2005

TEAS Stamp: USPTO/BAS-1719312133-2005050318050999000

3-78621804-2004d456537fa19a1676480eab8cc

d07b5-DA-75-20050503180158106031

Form 2
STATEMENT OF USE

PTO Form 1553 (Rev 9/2005)

OMB No. 0651-0054 (Exp. 09/30/2011)

Trademark/Service Mark Statement of Use (15 U.S.C. Section 1051(d))

The table below presents the data as entered.

Input Field	Entered
SERIAL NUMBER	78528705
LAW OFFICE ASSIGNED	LAW OFFICE 114
NOTICE OF ALLOWANCE	YES
EXTENSION OF USE	NO
REQUEST TO DIVIDE	NO
MARK SECTION	
STANDARD CHARACTERS	YES
USPTO-GENERATED IMAGE	YES
LITERAL ELEMENT	NIKE
OWNER SECTION (no change)	
ATTORNEY SECTION (current)	
NAME	Philip M. Davison
FIRM NAME	NIKE, INC.
STREET	One Bowerman Drive
CITY	Beaverton
STATE	Oregon
POSTAL CODE	97005
COUNTRY	United States
PHONE	503-671-6453
FAX	503-646-6926
ATTORNEY DOCKET NUMBER	18600.5931
ATTORNEY SECTION (proposed)	
NAME	Joseph Quigley

Form 2 (continued)

FIRM NAME	NIKE, INC.
STREET	One Bowerman Drive
CITY	Beaverton
STATE	Oregon
POSTAL CODE	97005
COUNTRY	United States
PHONE	503-671-6453
FAX	503-646-6926
ATTORNEY DOCKET NUMBER	18600.5931
OTHER APPOINTED ATTORNEY	Margo Fowler
GOODS AND/OR SERVICES SECTION	
INTERNATIONAL CLASS	009
CURRENT IDENTIFICATION	Computer software in the field of health and fitness used to manage digital music, store and organize digital music, create custom compact discs, download digital music from the internet, build, manage and transfer play lists, categorize music by tempo, log fitness data, namely times, paces, heart rate and injuries, create workout schedules and goals, download data from a watch to a computer; digital audio equipment, namely portable digital music players and walkie talkies; cellular telephones; video game software; compact disc players; headphones; specialty carrying cases for cellular telephones, portable digital audio equipment, and compact disc players; pedometers
GOODS OR SERVICES DELETED FROM THE APPLICATION OR INCLUDED IN A SEPARATE REQUEST TO DIVIDE	categorize music by tempo, cellular telephones, video game software
GOODS OR SERVICES IN USE IN COMMERCE	Computer software in the field of health and fitness used to manage digital music, store and organize digital music, create custom compact discs, download digital music from the internet, build, manage and transfer play lists, log fitness data, namely times, paces, heart rate and injuries, create workout schedules and goals, download data from a watch to a computer; digital audio equipment, namely portable digital music players and walkie talkies; compact disc players; headphones; specialty carrying cases for cellular telephones, portable digital audio equipment, and compact disc players; pedometers

Form 2 (continued)

FIRST USE ANYWHERE DATE	10/00/2000
FIRST USE IN COMMERCE DATE	10/00/2000
SPECIMEN FILE NAME(S)	\\TICRS2\EXPORT14\785\287 \78528705\xml1\SOU0002.JPG
SPECIMEN DESCRIPTION	digital image of the mark on packaging of headphones
PAYMENT SECTION	
NUMBER OF CLASSES	1
SUBTOTAL AMOUNT	100
TOTAL AMOUNT	100
SIGNATURE SECTION	
SIGNATURE	/Joseph Quigley/
SIGNATORY'S NAME	Joseph Quigley
SIGNATORY'S POSITION	Assistant General Counsel
DATE SIGNED	12/20/2007
FILING INFORMATION	
SUBMIT DATE	Thu Dec 20 16:38:44 EST 2007
TEAS STAMP	USPTO/SOU-146.197.243.16- 20071220163844822753-7852 8705-40025c9eecee3132ef5d 734b4ae70300-DA-2305-2007 1220154805394318

Form 2 (continued)

PTO Form 1553 (Rev 9/2005)

OMB No. 0651-0054 (Exp. 09/30/2011)

Trademark/Service Mark Statement of Use (15 U.S.C. Section 1051(d))**To the Commissioner for Trademarks:****MARK: NIKE****SERIAL NUMBER: 78528705**

This Allegation of Use is being filed after a Notice of Allowance has issued.

The applicant, Nike, Inc., having an address of One Bowerman Drive, Beaverton, Oregon United States 97005, is using or is using through a related company or licensee the mark in commerce on or in connection with the goods and/or services as follows:

For International Class 009:

Current identification: Computer software in the field of health and fitness used to manage digital music, store and organize digital music, create custom compact discs, download digital music from the internet, build, manage and transfer play lists, categorize music by tempo, log fitness data, namely times, paces, heart rate and injuries, create workout schedules and goals, download data from a watch to a computer; digital audio equipment, namely portable digital music players and walkie talkies; cellular telephones; video game software; compact disc players; headphones; specialty carrying cases for cellular telephones, portable digital audio equipment, and compact disc players; pedometers.

The applicant, or the applicant's related company or licensee, is using the mark in commerce on or in connection with all goods and/or services listed in the application or Notice of Allowance, except the following: categorize music by tempo, cellular telephones, video game software.

The following is proposed as the complete final identification once the specific good(s) or service(s) identified above is deleted: Computer software in the field of health and fitness used to manage digital music, store and organize digital music, create custom compact discs, download digital music from the internet, build, manage and transfer play lists, log fitness data, namely times, paces, heart rate and injuries, create workout schedules and goals, download data from a watch to a computer; digital audio equipment, namely portable digital music players and walkie talkies; compact disc players; headphones; specialty carrying cases for cellular telephones, portable digital audio equipment, and compact disc players; pedometers. The mark was first used by the applicant, or the applicant's related company, licensee, or predecessor in interest at least as early as 10/00/2000, and first used in commerce at least as early as 10/00/2000, and is now in use in such commerce. The applicant is submitting one specimen for the class showing the mark as used in commerce on or in connection with any item in the class, consisting of a(n) digital image of the mark on packaging of headphones.

Form 2 (continued)

Specimen File1

The applicant hereby appoints Joseph Quigley and Margo Fowler of NIKE, INC., One Bowerman Drive, Beaverton, Oregon United States 97005 to submit this Trademark/Service Mark Statement of Use on behalf of the applicant. The attorney docket/reference number is 18600.5931.

A fee payment in the amount of \$100 will be submitted with the form, representing payment for 1 class.

Declaration

Applicant requests registration of the above-identified trademark/service mark in the United States Patent and Trademark Office on the Principal Register established by the Act of July 5, 1946 (15 U.S.C. Section 1051 et seq., as amended). Applicant is the owner of the mark sought to be registered, and is using the mark in commerce on or in connection with the goods/services identified above, as evidenced by the attached specimen(s) showing the mark as used in commerce.

The undersigned being hereby warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. Section 1001, and that such willful false statements and the like may jeopardize the validity of this document, declares that he/she is properly authorized to execute this document on behalf of the Owner; and all statements made of his/her own knowledge are true and that all statements made on information and belief are believed to be true.

Signature: /Joseph Quigley/Date Signed: 12/20/2007

Signatory's Name: Joseph Quigley

Signatory's Position: Assistant General Counsel

Mailing Address:

NIKE, INC.

One Bowerman Drive
Beaverton, Oregon 97005

Mailing Address:

NIKE, INC.

One Bowerman Drive
Beaverton, Oregon 97005

RAM Sale Number: 2305

RAM Accounting Date: 12/21/2007

Serial Number: 78528705

Internet Transmission Date: Thu Dec 20 16:38:44 EST 2007

TEAS Stamp: USPTO/SOU-146.197.243.16-200712201638448

22753-78528705-40025c9eecee3132ef5d734b4

ae70300-DA-2305-20071220154805394318

Form 3

REQUEST FOR EXTENSION OF TIME TO FILE A STATEMENT OF USE

PTO Form 1581 (Rev 9/2005)

OMB No. 0651-0054 (Exp. 11/30/2008)

SOU Extension Request

The table below presents the data as entered.

Input Field	Entered
SERIAL NUMBER	78528705
LAW OFFICE ASSIGNED	LAW OFFICE 114
MARK SECTION	
STANDARD CHARACTERS	YES
USPTO-GENERATED IMAGE	YES
LITERAL ELEMENT	NIKE
OWNER SECTION (no change)	
ATTORNEY SECTION (current)	
NAME	Philip M. Davison
DOCKET NUMBER	18600.5931
ATTORNEY SECTION (proposed)	
NAME	Margo S. Fowler
DOCKET NUMBER	18600.5931
GOODS AND/OR SERVICES SECTION	
INTERNATIONAL CLASS	009
GOODS AND/OR SERVICES	KEEP ALL LISTED
EXTENSION SECTION	
EXTENSION NUMBER	1
ALLOWANCE MAIL DATE	12/27/2005
STATEMENT OF USE	NO

Form 3 (continued)

PAYMENT SECTION

NUMBER OF CLASSES	1
SUBTOTAL AMOUNT	150
TOTAL AMOUNT	150

SIGNATURE SECTION

SIGNATURE	/Margo S. Fowler/
SIGNATORY NAME	Margo S. Fowler
SIGNATORY POSITION	Attorney, Nike, Inc.
DATE SIGNED	06/27/2006

FILING INFORMATION

SUBMIT DATE	Tue Jun 27 19:19:22 EDT 2006
TEAS STAMP	USPTO/ESU-146.197.27.16-2 0060627191922699528-78528 705-3329f6b4bdc9cf6ec68bd 86c93672e885b-DA-1105-200 60627165258888355

Form 3 (continued)

PTO Form 1581 (Rev 9/2005)

OMB No. 0651-0054 (Exp. 11/30/2008)

Sou Extension Request (15 U.S.C. Section 1051(d))**To the Commissioner for Trademarks:****MARK: NIKE****SERIAL NUMBER: 78528705**

The applicant, Nike, Inc., having an address of One Bowerman Drive, Beaverton, Oregon United States 97005, requests a six-month extension of time to file the Statement of Use under 37 C.F.R. Section 2.89 in this application. The Notice of Allowance mailing date was 12/27/2005.

For International Class: 009, the applicant has a continued bona fide intention to use or use through the applicant's related company or licensee the mark in commerce on or in connection with all of the goods and/or services listed in the Notice of Allowance, or as subsequently modified.

This is the first extension request.

The applicant hereby appoints Margo S. Fowler to submit this Request for Extension of Time to File a Statement of Use on behalf of the applicant. The attorney docket/reference number is 18600.5931.

A fee payment in the amount of \$150 will be submitted with the form, representing payment for 1 class.

Declaration

The undersigned being hereby warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. Section 1001, and that such willful false statements and the like may jeopardize the validity of this document, declares that he/she is properly authorized to execute this document on behalf of the Owner; and all statements made of his/her own knowledge are true and that all statements made on information and belief are believed to be true.

Signature: /Margo S. Fowler/Date Signed: 06/27/2006

Signatory's Name: Margo S. Fowler

Signatory's Position: Attorney, Nike, Inc.

RAM Sale Number: 1105

RAM Accounting Date: 06/28/2006

Serial Number: 78528705

Internet Transmission Date: Tue Jun 27 19:19:22 EDT 2006

TEAS Stamp: USPTO/ESU-146.197.27.16-2006062719192269

9528-78528705-3329f6b4bdc9cf6ec68bd86c93

672e885b-DA-1105-20060627165258888355

Form 4

COMBINED AFFIDAVIT UNDER SECTIONS 8 AND 15 OF THE LANHAM ACT

PTO Form 1583 (Rev 5/2006)

OMB No. 0651-0055 (Exp 12/31/2011)

Combined Declaration of Use and Incontestability under Sections 8 & 15

The table below presents the data as entered.

Input Field	Entered
REGISTRATION NUMBER	3100480
REGISTRATION DATE	06/06/2006
SERIAL NUMBER	78621804
MARK SECTION	
MARK	ITUNES
ATTORNEY SECTION (current)	
NAME	THOMAS R LA PERLE
FIRM NAME	THOMAS R LA PERLE
INTERNAL ADDRESS	1 INFINITE LOOP
STREET	APPLE COMPUTER INC
CITY	CUPERTINO
STATE	California
POSTAL CODE	95014
COUNTRY	United States
PHONE	408-974-2385
FAX	408-253-0186
ATTORNEY SECTION (proposed)	
NAME	Lisa G.Widup
FIRM NAME	Apple Inc.
INTERNAL ADDRESS	MS: 36-4TM
STREET	1 Infinite Loop
CITY	CUPERTINO
STATE	California

Form 4 (continued)

POSTAL CODE	95014
COUNTRY	United States
PHONE	408-974-4954
FAX	408-253-0186
CORRESPONDENCE SECTION (current)	
NAME	MSC 3TM
FIRM NAME	THOMAS R LA PERLE
INTERNAL ADDRESS	1 INFINITE LOOP
STREET	APPLE COMPUTER INC
CITY	CUPERTINO
STATE	California
POSTAL CODE	95014
COUNTRY	United States
PHONE	408-974-2385
FAX	408-253-0186
CORRESPONDENCE SECTION (proposed)	
NAME	Lisa G.Widup
FIRM NAME	Apple Inc.
INTERNAL ADDRESS	MS: 36-4TM
STREET	1 Infinite Loop
CITY	CUPERTINO
STATE	California
POSTAL CODE	95014
COUNTRY	United States
PHONE	408-974-4954
FAX	408-253-0186
GOODS AND/OR SERVICES SECTION	
INTERNATIONAL CLASS	016
GOODS OR SERVICES	Gift cards, printed gift certificates; non-magnetically encoded prepaid purchase cards for allowing users to transfer financial value on-line via retail computer networks; non-magnetically encoded prepaid purchase cards for the online purchase of news, sports and entertainment content via the Internet

Form 4 (continued)

SPECIMEN FILE NAME(S)	\\TICRS\EXPORT11\IMAGEOUT 11\786\218\78621804\xml1\ 8150002.JPG
SPECIMEN DESCRIPTION	Digital photograph of Registrant's iTunes Gift Card. Registrant believes specimen clearly shows use of the registered mark.
OWNER SECTION (current)	
NAME	APPLE INC.
STREET	1 INFINITE LOOP
CITY	CUPERTINO
STATE	California
ZIP/POSTAL CODE	95014
COUNTRY	United States
LEGAL ENTITY SECTION (current)	
TYPE	corporation
STATE/COUNTRY OF INCORPORATION	California
PAYMENT SECTION	
NUMBER OF CLASSES	1
NUMBER OF CLASSES PAID	1
SUBTOTAL AMOUNT	300
TOTAL FEE PAID	300
SIGNATURE SECTION	
SIGNATURE	/Lisa G. Widup/
SIGNATORY'S NAME	Lisa G. Widup
SIGNATORY'S POSITION	Attorney of Record, California bar member
DATE SIGNED	07/14/2011
PAYMENT METHOD	DA
FILING INFORMATION	
SUBMIT DATE	Thu Jul 14 13:10:25 EDT 2011
TEAS STAMP	USPTO/S08N15-17.212.151.2 2-20110714131025158472-31 00480-480faf385527c3cc218 306b88431aefd73-DA-11695- 20110713165433969187

Form 4 (continued)

PTO Form 1583 (Rev 5/2006)

OMB No. 0651-0055 (Exp 12/31/2011)

Combined Declaration of Use And Incontestability Under Sections 8 & 15**To the Commissioner for Trademarks:****REGISTRATION NUMBER:** 3100480**REGISTRATION DATE:** 06/06/2006**MARK:** ITUNES

The owner, APPLE INC., a corporation of California, having an address of
1 INFINITE LOOP
CUPERTINO, California 95014
United States

is filing a Combined Declaration of Use and Incontestability under Sections 8 & 15.

For International Class 016, the mark is in use in commerce on or in connection with **all** of the goods or services listed in the existing registration for this specific class: Gift cards, printed gift certificates; non-magnetically encoded prepaid purchase cards for allowing users to transfer financial value on-line via retail computer networks; non-magnetically encoded prepaid purchase cards for the online purchase of news, sports and entertainment content via the Internet; and the mark has been continuously used in commerce for five (5) consecutive years after the date of registration, or the date of publication under Section 12(c), and is still in use in commerce on or in connection with **all** goods or services listed in the existing registration for this class. Also, no final decision adverse to the owner's claim of ownership of such mark for those goods or services exists, or to the owner's right to register the same or to keep the same on the register; and, no proceeding involving said rights pending and not disposed of in either the U.S. Patent and Trademark Office or the courts exists.

The owner is submitting one specimen for this class showing the mark as used in commerce on or in connection with any item in this class, consisting of a(n) Digital photograph of Registrant's iTunes Gift Card. Registrant believes specimen clearly shows use of the registered mark..

Specimen File1

The registrant's current Attorney Information: THOMAS R LA PERLE of THOMAS R LA PERLE
1 INFINITE LOOP
APPLE COMPUTER INC
CUPERTINO, California (CA) 95014
United States (USX)

The registrant's proposed Attorney Information: Lisa G.Widup of Apple Inc.
MS: 36-4TM
1 Infinite Loop
CUPERTINO, California (CA) 95014
United States (USX)

Form 4 (continued)

The phone number is 408-974-4954.

The fax number is 408-253-0186.

The registrant's current Correspondence Information: MSC 3TM of THOMAS R LA PERLE

1 INFINITE LOOP

APPLE COMPUTER INC

CUPERTINO, California (CA) 95014

United States (USX)

The registrant's proposed Correspondence Information: Lisa G.Widup of Apple Inc.

MS: 36-4TM

1 Infinite Loop

CUPERTINO, California (CA) 95014

United States (USX)

The phone number is 408-974-4954.

The fax number is 408-253-0186.

A fee payment in the amount of \$300 will be submitted with the form, representing payment for 1 class(es), plus any additional grace period fee, if necessary.

Declaration

The mark is in use in commerce on or in connection with the goods and/or services identified above, as evidenced by the attached specimen(s) showing the mark as used in commerce. The mark has been in continuous use in commerce for five (5) consecutive years after the date of registration, or the date of publication under Section 12(c), and is still in use in commerce. There has been no final decision adverse to the owner's claim of ownership of such mark, or to the owner's right to register the same or to keep the same on the register; and there is no proceeding involving said rights pending and not disposed of either in the U.S. Patent and Trademark Office or in the courts.

The undersigned being hereby warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. Section 1001, and that such willful false statements and the like may jeopardize the validity of this document, declares that he/she is properly authorized to execute this document on behalf of the Owner; and all statements made of his/her own knowledge are true and that all statements made on information and belief are believed to be true.

Signature: /Lisa G. Widup/Date: 07/14/2011

Signatory's Name: Lisa G. Widup

Signatory's Position: Attorney of Record, California bar member

Form 4 (continued)

Mailing Address (current):

THOMAS R LA PERLE
APPLE COMPUTER INC
CUPERTINO, California 95014

Mailing Address (proposed):

Apple Inc.
1 Infinite Loop
CUPERTINO, California 95014

Serial Number: 78621804

Internet Transmission Date: Thu Jul 14 13:10:25 EDT 2011

TEAS Stamp: USPTO/S08N15-17.212.151.22-2011071413102

5158472-3100480-480faf385527c3cc218306b8

8431aefd73-DA-11695-20110713165433969187

Form 5

**APPLICATION FOR RENEWAL OF TRADEMARK REGISTRATION
(COMBINED WITH DECLARATION OF USE UNDER SECTION 8 OF THE LANHAM ACT)**

PTO Form 1963 (Rev 5/2006)

OMB No. 0651-0055 (Exp 12/31/2011)

**Combined Declaration of use and/or Excusable Nonuse/Application
for Renewal of Registration of a Mark under Sections 8 & 9**

The table below presents the data as entered.

Input Field	Entered
REGISTRATION NUMBER	1148469
REGISTRATION DATE	03/17/1981
SERIAL NUMBER	73223877
MARK SECTION	
MARK	HONEY NUT CHEERIOS
GOODS AND/OR SERVICES SECTION	
INTERNATIONAL CLASS	030
GOODS OR SERVICES	Ready to Eat Breakfast Cereal
SPECIMEN FILE NAME(S)	\\TICRS\EXPORT11\IMAGEOUT 11\732\238\73223877\xml1\ S890002.JPG
SPECIMEN DESCRIPTION	PACKAGING
OWNER SECTION (current)	
NAME	General Mills, Inc.
STREET	NUMBER ONE GENERAL MILLS BOULEVARD
CITY	Minneapolis
STATE	Minnesota
ZIP/POSTAL CODE	55426
COUNTRY	United States
OWNER SECTION (proposed)	
NAME	General Mills IP Holdings I, LLC
STREET	NUMBER ONE GENERAL MILLS BOULEVARD
CITY	Minneapolis
STATE	Minnesota

Form 5 (continued)

ZIP/POSTAL CODE	55426
COUNTRY	United States
PHONE	763-764-5751
FAX	763-764-2268
EMAIL	trade.marks@genmills.com
AUTHORIZED TO COMMUNICATE VIA E-MAIL	Yes
LEGAL ENTITY SECTION (current)	
TYPE	corporation
STATE/COUNTRY OF INCORPORATION	Delaware
LEGAL ENTITY SECTION (proposed)	
TYPE	limited liability company
PAYMENT SECTION	
NUMBER OF CLASSES	1
NUMBER OF CLASSES PAID	1
SUBTOTAL AMOUNT	500
TOTAL FEE PAID	500
SIGNATURE SECTION	
SIGNATURE	/s/AlexandraM.Sepulveda/
SIGNATORY'S NAME	Alexandra M. Sepulveda
SIGNATORY'S POSITION	Attorney of Record, Minnesota Bar Member
DATE SIGNED	09/22/2010
PAYMENT METHOD	DA
FILING INFORMATION	
SUBMIT DATE	Wed Sep 22 09:57:32 EDT 2010
TEAS STAMP	USPTO/S08N09-146.217.200. 214-20100922095732441071- 1148469-470b29885c7af60e0 a7163342b45b42b54-DA-8806 -20100922090750321410

Form 5 (continued)

PTO Form 1963 (Rev 5/2006)
OMB No. 0651-0055 (Exp 12/31/2011)

**Combined Declaration of Use and/or Excusable Nonuse/Application
for Renewal of Registration of a Mark under Sections 8 & 9**

To the Commissioner for Trademarks:

REGISTRATION NUMBER: 1148469

REGISTRATION DATE: 03/17/1981

MARK: HONEY NUT CHEERIOS

The owner, General Mills IP Holdings I, LLC, a limited liability company, having an address of
NUMBER ONE GENERAL MILLS BOULEVARD
Minneapolis, Minnesota 55426
United States

is filing a Combined Declaration of Use and/or Excusable Nonuse/Application for Renewal of Registration
of a Mark under Sections 8 & 9.

For International Class 030, the mark is in use in commerce on or in connection with **all** goods or services
listed in the existing registration for this specific class: Ready to Eat Breakfast Cereal; or, the owner is
making the listed excusable nonuse claim.

The owner is submitting one specimen showing the mark as used in commerce on or in connection with
any item in this class, consisting of a(n) PACKAGING.

Specimen File1

A fee payment in the amount of \$500 will be submitted with the form, representing payment for 1
class(es), plus any additional grace period fee, if necessary.

Declaration

Section 8: Declaration of Use in Commerce

Unless the owner has specifically claimed excusable nonuse, the mark is in use in commerce on or in connection with the goods and/or services identified above, as evidenced by the attached specimen(s) showing the mark as used in commerce.

Section 9: Application for Renewal

The registrant requests that the registration be renewed for the goods and/or services identified above.

The undersigned being hereby warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. Section 1001, and that such willful false statements and the like may jeopardize the validity of this document, declares that he/she is properly authorized to execute this document on behalf of the Owner; and all statements made of his/her own knowledge are true and that all statements made on information and belief are believed to be true.

Form 5 (continued)

Signature: /sAlexandraM.Sepulveda/ Date: 09/22/2010
Signatory's Name: Alexandra M. Sepulveda
Signatory's Position: Attorney of Record, Minnesota Bar Member

Serial Number: 73223877
Internet Transmission Date: Wed Sep 22 09:57:32 EDT 2010
TEAS Stamp: USPTO/S08N09-146.217.200.214-20100922095
732441071-1148469-470b29885c7af60e0a7163
342b45b42b54-DA-8806-20100922090750321410

Form 6

REQUEST FOR EXTENSION OF TIME TO FILE NOTICE OF OPPOSITION

Trademark Trial and Appeal Board Electronic Filing System. <http://estta.uspto.gov>

ESTTA Tracking number: **ESTTA112181**

Filing date: **11/30/2006**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Applicant: **Xcel Holdings, LLC**
Application Serial Number: **78586368**
Application Filing Date: **03/14/2005**
Mark: **L.V.M.S.**
Date of Publication: **10/31/2006**

First 90 Day Request for Extension of Time to Oppose for Good Cause

Pursuant to 37 C.F.R. Section 2.102, LVMH Moët Hennessy Louis Vuitton, Inc., 19 East 57th St., New York, NY 10022, UNITED STATES, a corporation organized under the laws of DELAWARE, respectfully requests that it be granted a 90-day extension of time to file a notice of opposition against the above-identified mark for cause shown.

Potential opposer believes that good cause is established for this request by:

- The potential opposer needs additional time to determine whether opposition will in fact be necessary

The time within which to file a notice of opposition is set to expire on 11/30/2006. LVMH Moët Hennessy Louis Vuitton, Inc. respectfully requests that the time period within which to file an opposition be extended until 02/28/2007.

Respectfully submitted,

/Marie V. Driscoll/

11/30/2006

Marie V. Driscoll
Fross Zelnick Lehrman & Zissu, P.C.
866 United Nations Plaza
New York, NY 10017
UNITED STATES
mdriscoll@frosszelnick.com
212-813-5900

Form 7

OPPOSITION TO REGISTRATION OF TRADEMARK*Trademark Trial and Appeal Board Electronic Filing System, <http://estta.uspto.gov>*ESTTA Tracking number: **ESTTA218377**Filing date: **06/17/2008**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Notice of Opposition

Notice is hereby given that the following party opposes registration of the indicated application.

Opposer Information

Name	Nike, Inc.		
Entity	Corporation	Citizenship	Oregon
Address	One Bowerman Drive Beaverton, OR 97005 UNITED STATES		

Attorney information	Kevin C. Parks Leydig, Voit & Mayer, Ltd. Two Prudential Plaza, 180 N. Stetson Ave Suite 4900 Chicago, IL 60601-6731 UNITED STATES trademark@leydig.com, kparks@leydig.com, mcalkins@leydig.com Phone:312-616-5600
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Applicant Information

Application No	77383581	Publication date	06/17/2008
Opposition Filing Date	06/17/2008	Opposition Period Ends	07/17/2008
Applicant	Callaway Golf Company 2180 Rutherford Road Carlsbad, CA 920087328 UNITED STATES		

Goods/Services Affected by Opposition

Class 028. All goods and services in the class are opposed, namely: Golf balls

Form 7 (continued)

Grounds for Opposition

Priority and likelihood of confusion	Trademark Act section 2(d)
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Marks Cited by Opposer as Basis for Opposition

U.S. Application/ Registration No.	NONE	Application Date	NONE
Registration Date	NONE		
Word Mark	NIKE ONE		
Goods/Services	Golf balls		

U.S. Application/ Registration No.	NONE	Application Date	NONE
Registration Date	NONE		
Word Mark	ONE		
Goods/Services	Golf balls		

Attachments	263763 Notice of Opp as filed 6-17-08.pdf (4 pages)(74186 bytes)
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of this paper has been served upon all parties, at their address record by Overnight Courier on this date.

Signature	/Kevin C. Parks/
Name	Kevin C. Parks
Date	06/17/2008

Form 7 (continued)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

NIKE, INC.,)	
Opposer,)	Opposition No. _____
v.)	Serial No. 77/383,581
CALLAWAY GOLF COMPANY,)	
Applicant.)	

NOTICE OF OPPOSITION

Nike, Inc. ("Opposer"), an Oregon corporation, located at One Bowerman Drive, Beaverton, Oregon 97005, hereby brings this Opposition against Application Serial No. 77/383,581 for the mark "HX ONE" (the "Application" or "Applicant's Mark"), filed by Callaway Golf Company ("Applicant") and published in the Official Gazette June 17, 2008. Opposer believes it will be damaged by the registration of this Application and therefore opposes the same.

As grounds for the opposition, Opposer alleges as follows:

1. On January 29, 2008, Applicant filed the Application, stating its intention to use the mark HX ONE in connection with golf balls in Class 28.
2. On information and belief, subsequent to January 29, 2008 Applicant commenced using HX ONE in connection with golf balls.
3. Opposer is a leading sports and fitness company, and a leading provider of a broad range of clothing, footwear, sporting goods and related products and services.
4. Opposer has continuously used the marks NIKE ONE and ONE (collectively) "Opposer's Marks" or the "Marks") in interstate commerce since prior to the Application's filing date, in connection with golf balls.
5. Opposer's Marks serve as Opposer's trademarks under common law.
6. Opposer has successfully promoted and has made substantial sales of goods under its Marks.

COUNT 1**LIKELIHOOD OF CONFUSION**

7. Opposer realleges paragraphs 1 through 6 as paragraph 7 of this Count 1.
8. Opposer's use of its Marks long pre-dates the filing date of the Application.
9. Applicant's Mark is confusingly similar to Opposer's Marks.
10. Upon information and belief, when Applicant filed the Application, it was aware of Opposer and Opposer's long-standing use of its Marks.
11. Due to the similarity of the marks and goods involved, and other factors, confusion is likely as between Opposer's and Applicant's Marks, pursuant to Section 2(d) of the Lanham Act, 15 U.S.C. § 1052(d).

Form 7 (continued)

Opposition No. _____
Serial No. 77/383,581

12. Registration of Applicant's Mark is likely to cause confusion or mistake in the minds of the public and lead the public and prospective purchasers into believing that Applicant's products are those of Opposer, or are endorsed or sponsored by, or otherwise affiliated or connected with Opposer, or that Opposer's products and services are associated with Applicant, all to the damage and injury of the purchasing public and to the damage and injury of Opposer.
13. In view of the above, the grant of a registration for Applicant's Mark, as sought in the Application, should be denied.

WHEREFORE, by its undersigned attorneys, Opposer respectfully requests that this Notice of Opposition be sustained and that registration of Application Serial No. 77/383,581 be refused.

Please charge deposit account No. 12-1216 in the amount of \$300.00 to cover the filing fee of this Notice of Opposition against the Application. Please charge any additional fees to Deposit Account 12-1216, as necessary.

Respectfully submitted,



Date: June 17, 2008

By: _____

Kevin C. Parks
Michelle L. Calkins
LEYDIG, VOIT & MAYER, LTD.
Two Prudential Plaza, 180 N. Stetson Ave.
Suite 4900
Chicago, Illinois 60601-6731
(312) 616-5600
Attorneys for Opposer

Form 7 (continued)

Opposition No. _____
Serial No. 77/383,581

CERTIFICATE OF ELECTRONIC FILING

I hereby certify that the attached NOTICE OF OPPOSITION was filed electronically with the Trademark Trial and Appeal Board on June 17, 2008.



Michelle L. Calkins

CERTIFICATE OF SERVICE

I hereby certify that a copy of this NOTICE OF OPPOSITION was served by email and courier delivery to the following address on June 17, 2008, such being the Applicant's correspondence address listed in the TARR system as of this date:

Michael A. Catania
Callaway Golf Company
2180 Rutherford Rd.
Carlsbad, CA 92008-7328



Michelle L. Calkins

Form 8

CONSENT TO USE AND REGISTER AGREEMENT

This Agreement is effective as of the last day of execution.

WHEREAS, Miller & Hays, Inc. ("Miller"), 2814 Bradford Drive, Wilmington, DE 24576, is the owner of U.S. Trademark Registration No. 1,256,871 in International Class 9 for the mark FLEXTONE;

WHEREAS, Southern Flextel Co. ("Southern"), 2450 Central Drive, Los Angeles, CA 93014, has filed U.S. Application No. 76/045,120 for the trademark FLEXTEL in International Class 38 for satellite-based communication systems;

WHEREAS, Miller is primarily active in the field of computer hardware and related peripherals;

WHEREAS, Southern is primarily active in the field of satellite-based communication services and related wire-based and other telecommunications services, including cable television;

WHEREAS, the parties are desirous of avoiding confusion of the public as to the source of the goods and services offered under the marks of the respective parties;

WHEREAS, the goods and services offered or provided, and the marketing channels, channels of trade, and types of customers for the parties' respective goods and services are different and distinct;

WHEREAS, the parties believe that provided the terms of this Agreement are followed by each party there is no likelihood of confusion as to the use of their respective marks in connection with their respective goods or services;

WHEREAS, the parties are unaware of any instances of actual confusion between use of their respective marks; and

WHEREAS, the parties now seek to resolve this matter;

NOW, THEREFORE, the parties agree as follows:

1. Miller agrees it will not use the mark FLEXTONE or any marks confusingly similar to those of Southern on or in connection with any product or service confusingly similar to those provided by Southern and will limit its use of FLEXTONE to computer hardware and related peripherals.
2. Southern agrees it will not use the mark FLEXTEL or any marks confusingly similar to those of Miller on or in connection with any product or service confusingly similar to those provided by Miller and will limit its use of FLEXTEL to satellite-based communications and related wire-based and other telecommunications services and cable television.
3. Miller hereby consents to use and registration of the mark FLEXTEL as stated in U.S. Application No. 76/045,120 and will not oppose or petition to cancel any registration resulting therefrom so long as Southern is in compliance with the terms of this Agreement.
4. Southern hereby consents to use and continued registration of the mark FLEXTONE as stated in U.S. Reg. No. 1,256,871 and agrees it will not petition to cancel the registration thereof so long as Miller is in compliance with the terms of this Agreement.
5. Neither of the parties will object to or interfere with the other party's rights of registration, renewal, or use of their trademarks as limited above.
6. Neither party will attempt to associate itself with the other party or its goods or services.
7. This Agreement is binding upon the parties and their successors and assigns.

Form 8 (continued)

8. No alteration or variation of any of the terms or provisions of this Agreement shall be valid unless made in writing and signed by both parties hereto.
9. This instrument contains the entire Agreement between the parties with respect to the subject matter expressed herein. It supersedes and cancels any prior oral or written understandings, agreements, or negotiations concerning the subject matter hereof.
10. In the event any confusion between use of the parties' respective marks arises, the parties will cooperate and find ways to eliminate or minimize any confusion.
11. The parties intend to be bound by the terms of this Agreement and agree it is in their commercial interest to do so.

MILLER & HAYS, INC.

By: _____

Date: _____

SOUTHERN FLEXTel CO.

By: _____

Date: _____

Form 9

PETITION TO CANCEL TRADEMARK REGISTRATIONTrademark Trial and Appeal Board Electronic Filing System. <http://estta.uspto.gov>ESTTA Tracking number: **ESTTA380774**Filing date: **11/29/2010**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**Petition for Cancellation**

Notice is hereby given that the following party requests to cancel indicated registration.

Petition Information

Name	Scratch Golf, LLC		
Entity	limited liability company	Citizenship	South Carolina
Address	60 Hilton Head National Drive Bluffton, SC 29910 UNITED STATES		

Attorney information	Mark B. Harrison Venable LLP 575 7th Street, NW Washington, DC 20004 UNITED STATES mbharrison@venable.com, mehall@venable.com, trademarkdocket@venable.com Phone:202-344-4019
----------------------	---

Registration Subject to Cancellation

Registration No	3804459	Registration date	06/15/2010
Registrant	SCRATCH, LLC 13000 Danielson Street Poway, CA 92064 UNITED STATES		

Goods/Services Subject to CancellationClass 041. First Use: 2010/01/22 First Use In Commerce: 2010/01/22
All goods and services in the class are cancelled, namely: Instruction in the field of physical training, namely, golf instruction

Form 9 (continued)

Grounds for Cancellation

Priority and likelihood of confusion	Trademark Act section 2(d)
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Marks Cited by Petitioner as Basis for Cancellation

U.S. Application No.	77843530	Application Date	10/07/2009
Registration Date	NONE	Foreign Priority Date	NONE
Word Mark	SCRATCH GOLF COMPANY		
Design Mark	SCRATCH GOLF COMPANY		
Description of Mark	NONE		
Goods/Services	Class 035. First use: First Use: 1989/11/01 First Use In Commerce: 1989/11/01 Retail shops featuring golf-related goods of others		

U.S. Application No.	77980698	Application Date	10/07/2009
Registration Date	NONE	Foreign Priority Date	NONE
Word Mark	SCRATCH GOLF COMPANY		
Design Mark	SCRATCH GOLF COMPANY		
Description of Mark	NONE		
Goods/Services	Class 041. First use: First Use: 1988/05/17 First Use In Commerce: 1988/10/30 Golf courses		

U.S. Application No.	77846312	Application Date	10/12/2009
Registration Date	NONE	Foreign Priority Date	NONE
Word Mark	SGC SCRATCH GOLF COMPANY		

Form 9 (continued)

Design Mark	
Description of Mark	The mark consists of an oval with a thick dark band and the words "SCRATCH GOLF COMPANY" around the oval. Inside the oval is a pineapple on which the intertwined letters "SGC" appear. A wreath appears around the pineapple.
Goods/Services	Class 035. First use: First Use: 1992/09/16 First Use In Commerce: 1992/12/31 Retail shops featuring golf-related goods of others

U.S. Application No.	77980697	Application Date	10/12/2009
Registration Date	NONE	Foreign Priority Date	NONE
Word Mark	SGC SCRATCH GOLF COMPANY		
Design Mark			
Description of Mark	The mark consists of an oval with a thick dark band and the words "SCRATCH GOLF COMPANY" around the oval. Inside the oval is a pineapple on which the intertwined letters "SGC" appear. A wreath appears around the pineapple.		
Goods/Services	Class 041. First use: First Use: 1992/09/16 First Use In Commerce: 1992/12/31 Golf courses		

Form 9 (continued)

Attachments	77843530#TMSN.jpeg (1 page)(bytes) 77980698#TMSN.jpeg (1 page)(bytes) 77846312#TMSN.jpeg (1 page)(bytes) 77980697#TMSN.jpeg (1 page)(bytes) Petition to Cancel Registration No. 3804459.pdf (5 pages) (82041 bytes)
-------------	---

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of this paper has been served upon all parties, at their address record by First Class Mail on this date.

Signature	/Mark B. Harrison/
Name	Mark B. Harrison
Date	11/29/2010

Form 9 (continued)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Scratch Golf, LLC,)
Petitioner,)
vs.)
Scratch, LLC,)
Respondent.)

Cancellation No. _____
Mark: **SCRATCH**
Registration No. 3,804,459

Attorney's Reference: 70230-TBD

PETITION TO CANCEL REGISTRATION NO. 3,804,459

Scratch Golf, LLC ("Petitioner"), a limited liability company duly organized and existing under the laws of South Carolina, and having its offices and principal place of business at 60 Hilton Head National Drive, Bluffton, South Carolina 29910, believes that it is damaged by Registration No. 3,804,459, and hereby petitions to cancel the same.

As grounds for this Petition, it is alleged:


1. Petitioner provides golf courses and retail shops featuring golf-related goods of others.
2. Petitioner is the owner of the following four pending U.S. applications (collectively referred to herein as "Petitioner's Applications"):
 - (i) Application Serial No. 77/843,530 for the mark SCRATCH GOLF COMPANY for "retail shops featuring golf-related goods of others," filed on October 7, 2009 and claiming a date of first use anywhere and in commerce on November 1, 1989;
 - (ii) Application Serial No. 77/980,698 for the mark SCRATCH GOLF COMPANY for "golf courses," filed on October 7, 2009 and claiming a date of first use anywhere on May 17, 1988 and in commerce on October 30, 1988;



- (iii) Application Serial No. 77/846,312 for the mark _____ for "retail shops featuring golf-related goods of others," filed on October 12, 2009 and claiming a date of first use anywhere on September 16, 1992 and in commerce on December 31, 1992; and

Form 9 (continued)



- (iv) Application Serial No. 77/980,697 for the mark  for "golf courses," filed on October 12, 2009 and claiming a date of first use anywhere on September 16, 1992 and in commerce on December 31, 1992.
3. Scratch, LLC ("Respondent") owns Registration No. 3,804,459 ("Respondent's Registration"), for the mark SCRATCH for use in connection with "instruction in the field of physical training, namely, golf instruction."
 4. The underlying application that matured into Respondent's Registration was filed on April 16, 2009, and Respondent's Registration claims a date of first anywhere and in commerce on January 22, 2010.
 5. Petitioner's Applications have all been refused registration by the Examining Attorney handling them, on the ground that there is a likelihood of confusion with the mark SCRATCH shown in Respondent's Registration.
 6. Respondent did not use its mark SCRATCH in connection with the services identified in Respondent's Registration prior to January 22, 2010.
 7. Respondent did not use its mark SCRATCH in connection with the services identified in Respondent's Registration prior to April 16, 2009.
 8. Respondent did not use its mark SCRATCH in connection with the services identified in Respondent's Registration prior to 1993.
 9. Petitioner first used the marks shown in Petitioner's Applications prior to any date upon which Respondent can rely for priority.
 10. Respondent's mark SCRATCH so closely resembles the marks shown in Petitioner's Applications that there is a likelihood of confusion, mistake, and deception.
 11. If Respondent's Registration is permitted to remain on the Principal Register, Petitioner will continue to be damaged.
 12. If Respondent were permitted to continue to use and register its mark for its services, confusion among consumers resulting in damage and injury to Petitioner would be caused by virtue of the similarity between Respondent's service mark and Petitioner's service marks. Any defect, objection or fault found with Respondent's services would reflect upon, seriously injure, and dilute the reputation and value that Petitioner has established in Petitioner's service marks.

Form 9 (continued)

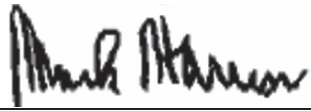
WHEREFORE, Petitioner respectfully requests that this Petition be granted and that Registration No. 3,804,459, be canceled.

Please deduct the statutory filing fee of \$300.00 and any additional fees from deposit Account No. 22-0261 and notify the undersigned accordingly.

Petitioner appoints Mark B. Harrison, Marcia A. Auberger, Andrew Price, Rebecca Liebowitz, Janet Satterthwaite, Jacqueline Patt, and Michael E. Hall, along with the law firm of Venable LLP, P.O. Box 34385, Washington, D.C. 20043-9998 to transact all business on its behalf in connection with this Petition for Cancellation.

Date: November 29, 2010

Respectfully submitted,

By: 

Mark B. Harrison
VENABLE
P.O. Box 34385
Washington, D.C. 20043-9998
Telephone: 202/344-4800
Facsimile: 202/344-8300

Attorney for Petitioner

Form 9 (continued)

CERTIFICATE OF SERVICE

I hereby certify that on November 29, 2010, a copy of the foregoing PETITION TO CANCEL REGISTRATION NO. 3,804,459 was served, via first-class mail, postage pre-paid, on:

Scratch, LLC
13000 Danielson Street
Poway, California 92064

A handwritten signature in black ink, appearing to read "Mark B. Harrison", written over a horizontal line.

Mark B. Harrison

Form 10

COMPLAINT FOR TRADEMARK INFRINGEMENT

In the United States District Court for the District of Massachusetts

Hanson Industries, Ltd.,)	
Plaintiff)	
v.)	Civil Action No. 95047
Brady Designs Co.,)	
Defendant)	

COMPLAINT FOR FEDERAL TRADEMARK INFRINGEMENT

COMES NOW Plaintiff, Hanson Industries, Ltd. ("Plaintiff"), by and through its attorneys, and files its Complaint against Defendant Brady Designs Co. ("Defendant") and alleges as follows:

Jurisdiction

1. This is an action arising under the trademark laws of the United States. The jurisdiction of this Court is based upon 15 U.S.C. § 1121 relating to the Lanham Act and 28 U.S.C. § 1332(a), the Plaintiff being a corporation organized under the laws of Florida and the Defendant being a corporation organized under the laws of Massachusetts and the amount in controversy, exclusive of interests and costs, exceeding the sum of \$75,000.

Parties

2. Plaintiff, Hanson Industries, Ltd., is a Florida corporation having a principal place of business at 6810 Bay Front Drive, Ft. Myers Beach, FL 34901.
3. Defendant, Brady Designs Co., is a Massachusetts corporation having a principal place of business at 210 12th Street, Boston, MA 98721.

**FIRST CAUSE OF ACTION
(TRADEMARK INFRINGEMENT)**

4. Plaintiff is the owner of U.S. Trademark Registration No. 1,687,245 for TRADITIONS for women's clothing in International Class 25. A copy of the Certificate of Registration is attached hereto as Exhibit A. Under the Trademark Act of July 5, 1946, Plaintiff has the exclusive rights to said mark and the use thereof.
5. Plaintiff is now and continuously has been engaged in the design, manufacture, and sales of women's clothing in interstate commerce under the TRADITIONS mark since at least as early as January 1, 2000, and has used its TRADITIONS mark to identify and distinguish its goods and services from those of others.

Form 10 (continued)

6. Plaintiff is informed and believes and thereon alleges that Defendant is engaged in the design, manufacture, marketing, and sale of women's and men's clothing in interstate commerce under the mark CLASSIC TRADITIONS.
7. Plaintiff is informed and believes and thereon alleges that the goods of Defendant are substantially similar to those of Plaintiff, and are sold to the same customers and through the same trade channels as the goods of Plaintiff.
8. On June 1, 2000, Plaintiff obtained a registration for the trademark TRADITIONS issued by the U.S. Patent and Trademark Office, under the Trademark Act of July 5, 1946, Registration No. 1,687,245, for women's clothing and said trademark registration is now in full force and effect. On July 10, 2005, Plaintiff filed an affidavit under section 15 of the U.S. Trademark Act (15 U.S.C. § 1065), which was accepted by the U.S. Patent and Trademark Office, and Plaintiff's rights to use its mark are incontestable. The TRADITIONS mark has been continuously used in interstate commerce, applied by Plaintiff to the goods described herein, and maintained on the Principal Register.
9. Since long prior to any use by the Defendant of the mark complained of, Plaintiff has expended a great amount of money, time, and effort in promoting and advertising its goods offered under its TRADITIONS mark. By virtue of such efforts, said mark has become associated in the minds of customers and in the mind of the general public and trade with the Plaintiff alone, and valuable goodwill has been built up in the TRADITIONS mark for women's clothing.
10. On information and belief, long after Plaintiff first used its mark, Defendant began infringing and continues to infringe upon the rights of Plaintiff by offering women's and men's clothing under the designation CLASSIC TRADITIONS.
11. Defendant's use of CLASSIC TRADITIONS is likely to cause and has caused confusion and mistake and is likely to deceive and has deceived the public into the belief that Defendant's goods are the goods of the Plaintiff or emanate from the Plaintiff or are associated with or sponsored or endorsed by the Plaintiff, to the damage and injury of Plaintiff.
12. Defendant's conduct constitutes a violation of the U.S. Trademark Act of 1946, 15 U.S.C. § 1114.
13. Upon information and belief, Defendant's use of CLASSIC TRADITIONS has impaired, damaged, and diminished the Plaintiff's mark and the value thereof, and has caused and is likely to cause confusion with respect to the source and origin of Plaintiff's goods and has caused mistake and deception by causing the public to believe that Defendant's goods are those of the Plaintiff, all of which has damaged and will continue to cause damage to Plaintiff unless enjoined.
14. Since on or about June 1, 2000, Plaintiff has given notice that its mark is registered in the U.S. Patent and Trademark Office by displaying the federal registration symbol ® with the mark.
15. Although Plaintiff has demanded that Defendant cease and desist from further infringement of Plaintiff's mark, Defendant has refused to comply with Plaintiff's demand and continues to use the infringing mark, all to Plaintiff's damage.

Form 10 (continued)

WHEREFORE, Plaintiff demands judgment against the Defendant as follows:

1. That the Defendant and any of its agents or representatives be enjoined during the pendency of this action and permanently thereafter from: infringing U.S. Trademark Registration No. 1,687,245; using any name or mark confusingly similar to Plaintiff's TRADITIONS mark in connection with the advertising, offering, or sale of Defendant's goods or any other goods that are likely to cause confusion or mistake, or to deceive purchasers with respect to the origin or source of such goods.
2. That the Defendant be required to account and pay over to Plaintiff all profits and gains derived by Defendant by its infringement of Plaintiff's mark.
3. That the Defendant be required to pay to Plaintiff damages for the injury Plaintiff has sustained arising out of Defendant's infringement.
4. That Defendant be required to deliver up for impounding during the pendency of this action and for destruction upon final judgment, all documents, products, or other materials bearing any trademark confusingly similar to Plaintiff's trademark.
5. That the Court award punitive and exemplary damages against the Defendant and in favor of the Plaintiff by reason of Defendant's willful and intentional infringement.
6. That because of the willful and wanton nature of Defendant's infringement, that judgment be entered for treble the amount of the aforesaid damages.
7. That Defendant be required to pay the Plaintiff the costs of this action and reasonable attorneys' fees.
8. That the Court order such other and further relief as the Court deems just and proper.

Respectfully submitted,
Scott T. Hudson
Hudson & Adler
11 Dupont Circle NW
Washington, DC 20005
Attorneys for Plaintiff
Hanson Industries, Ltd.

Form 11

TRADEMARK SETTLEMENT AGREEMENT

This Trademark Settlement Agreement ("Agreement") is entered into by and between Hanson Industries, Ltd. ("Hanson"), a Florida corporation, located at 6810 Bay Front Drive, Ft. Myers Beach, FL 34901, and Brady Designs Co. ("Brady"), a Massachusetts corporation, located at 210 12th Street, Boston, MA 98721.

WHEREAS, Hanson is the owner of the mark TRADITIONS used since January 1, 2000, and registered with the U.S. Patent and Trademark Office as U.S. Reg. No. 1,687,245 for women's clothing in International Class 25 (the "Mark");

WHEREAS, Brady is the owner of the mark CLASSIC TRADITIONS used since July 1, 2002, for women's and men's clothing in International Class 25 (the "Brady Mark");

WHEREAS Hanson has filed a complaint alleging trademark infringement in the United States District Court for the District of Massachusetts; and

WHEREAS, the parties wish to settle this matter and all controversies between them;

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, the parties agree as follows:

1. Brady agrees that any use or display of the Brady Mark shall be accompanied by the design shown in Exhibit A hereto (collectively, the "Brady Mark & Design") and that Brady shall not use the Brady Mark alone in connection with any of its advertising, promotion, services, products, or packaging.
2. Brady will be solely responsible for filing a trademark application for the Brady Mark (& Design) with the U.S. Patent and Trademark Office and pay any fees in connection therewith, and Brady shall use its best efforts to prosecute said application.
3. Brady acknowledges Hanson's sole and exclusive right, title, and interest in and to the Mark and expressly agrees it has no interest whatsoever in the Mark and that nothing in this Agreement gives Brady any right to use the Mark.
4. Brady represents and expressly agrees it will not at any time or anywhere throughout the world use or attempt to register the Mark or any mark confusingly similar to the Mark or take any action to challenge, contest, petition to cancel, or oppose any use whatsoever or registration by Hanson of the Mark, and Brady will not use the Mark or any other mark or name in any manner that would cause confusion with Hanson, its Mark, or products.
5. Brady acknowledges that the existence of any registration that results from any application for the Brady Mark (& Design) will not grant Brady any superior rights as against Hanson or its Mark.
6. Hanson agrees to provide any needed consent, and to execute any necessary documents, for Brady to register the Brady Mark (& Design) in connection with men's and women's clothing.
7. Subject to the faithful compliance by Brady with the terms of this Agreement, Hanson agrees not to contest or challenge the use or application to register the Brady Mark (& Design) in connection with men's and women's clothing.
8. The parties agree that irreparable harm will result in the event of breach of any provision hereof. Should any party default in the performance of any of its obligations under the terms of this Agreement, and such default not be cured within thirty (30) days of notice of the breach, in addition to any other legal or equitable relief, damages, and remedies that may be available, any other party shall be entitled to an injunction to restrain the violation hereof.

Form 11 (continued)

9. The parties agree to execute any further agreements, consents, or other documents that may be necessary to carry out the intent of this Agreement.
10. Upon execution of this Agreement, Hanson shall cause to be filed a dismissal with prejudice of that action for trademark infringement filed against Brady and known as Civil Action No. 95047.
11. Upon execution of this Agreement, Hanson and Brady mutually release and discharge each other from any claims either arising out of or connected with Civil Action No. 95047 or that could have been alleged therein.
12. The parties hereto agree that this Agreement and the circumstances giving rise to it are confidential and shall not be disclosed to any person without obtaining the other party's prior written consent, which shall not be unreasonably withheld or delayed.
13. This Agreement comprises the entire understanding of the parties with respect to the subject matter hereof, all prior oral and written communications or understanding being merged herein, and shall be binding upon and inure to the benefit of the parties, as well as any related parties, subsidiaries, affiliates, successors, or assigns.
14. This Agreement shall be governed by the laws of Florida.

WHEREOF, the parties have caused this Agreement to be duly executed.

Hanson Industries, Ltd.

By: _____

Title: _____

Date: _____

Brady Designs Co.

By: _____

Title: _____

Date: _____

Form 12

WORK FOR HIRE PROVISIONS

Note: The following provisions may be added to agreements to ensure that works prepared by employees or specially commissioned works are works “made for hire” under the Copyright Act.

Provision for Use in Employment Agreement

Employee confirms that the relationship between him and ABC Consulting, Inc. (“ABC”) is that of employee-employer. Employee agrees that all inventions, developments, discoveries, processes, software programs, data, or any other “works,” as defined by the U.S. Copyright Act (collectively, the “Works”), created by him, whether alone or with others, while employed by ABC and that relate to work assigned to him by ABC or any business of ABC are the sole and exclusive property of ABC.

Employee further agrees that said Works shall be “works made for hire” as that term is defined in the U.S. Copyright Act, and Employee agrees to disclose promptly all works to ABC and to assist ABC in any way and perform all acts and execute all documents necessary or desirable to protect ABC’s rights in and title to any such Works.

In the event any of the Works are determined not to be “works made for hire,” as that term is defined in the U.S. Copyright Act, Employee, by this instrument, hereby immediately and irrevocably assigns to ABC all right, title, and interest in and to any such Works.

Employee will not contest or challenge ABC’s ownership, rights, or title in or to the Works.

Provision for Use in Agreement with Independent Contractor

Contractor and XYZ Management, Inc. (“XYZ”) expressly agree that the work which Contractor has been commissioned by XYZ to create is a part of a motion picture (the “Work”) and that their intent is that XYZ shall own all right, title, and interest in and to the Work with no rights of ownership or use in Contractor.

The parties agree that the Work is a “work made for hire” as defined by the U.S. Copyright Act and that by virtue of this Agreement it shall be owned solely, completely, and exclusively by XYZ, free and clear from all claims of any nature relating to Contractor’s contributions and other efforts, and XYZ shall have the right to copyright the Work in its name as the author and proprietor thereof.

Contractor agrees that in the event the Work is determined by a court of competent jurisdiction not to be a work made for hire under the U.S. Copyright Act, this Agreement operates as an immediate and irrevocable assignment by Contractor to XYZ of all right, title, and interest in and to the Work.

Under this irrevocable assignment, Contractor hereby assigns to XYZ the sole and exclusive right, title, and interest in and to the Work, without further consideration, and agrees to assist XYZ in registering and from time to time enforcing all copyrights and other rights and protections relating to the Work.

It is Contractor’s specific intent to assign all right, title, and interest whatsoever in the Work, in any media, in all countries, and for any purpose, to XYZ. Therefore, Contractor agrees to execute and deliver any reasonably necessary documents requested by XYZ in connection therewith and appoints XYZ as its agent and attorney-in-fact to act for and in its behalf and stead to execute, register, and file any documents or other applications and to do all other lawfully permitted acts to further the registration, protection, or issuance of copyrights with the same legal force and effect as if executed by Contractor.

Contractor agrees that it shall not at any time dispute or contest XYZ’s exclusive right, title, and interest in and to the Work.

FORM 13

COPYRIGHT APPLICATION FORM CO



UNITED STATES COPYRIGHT OFFICE

Form CO • Application for Copyright Registration

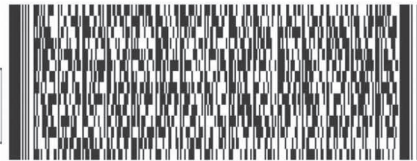
**THIS APPLICATION IS INCOMPLETE
AND CAN NOT BE SUBMITTED**

APPLICATION FOR COPYRIGHT REGISTRATION

* Designates Required Fields

1 WORK BEING REGISTERED1a. * Type of work being registered (*Fill in one only*)

- | | |
|---|--|
| <input type="checkbox"/> Literary work | <input type="checkbox"/> Performing arts work |
| <input type="checkbox"/> Visual arts work | <input type="checkbox"/> Motion picture/audiovisual work |
| <input type="checkbox"/> Sound recording | <input type="checkbox"/> Single serial issue |



ApplicationForCopyrightRegistration

1b. * Title of this work (*one title per space*)

WorkTitles

1c. For a serial issue: Volume Number Issue ISSN Frequency of publication:

1d. Previous or alternative title

1e. * Year of completion

Publication (*If this work has not been published, skip to section 2*)1f. Date of publication (mm/dd/yyyy) 1g. ISBN 1h. Nation of publication ☐ United States ☐ Other

Privacy Act Notice

Sections 408-410 of title 17 of the United States Code authorize the Copyright Office to collect the personally identifying information requested on this form in order to process the application for copyright registration. By providing this information you are agreeing to routine uses of the information that include publication to give legal notice of your copyright claim as required by 17 U.S.C. § 705. It will appear in the Office's online catalog. If you do not provide the information requested, registration may be refused or delayed, and you may not be entitled to certain relief, remedies, and benefits under the copyright law.

Form 13 (continued)



UNITED STATES COPYRIGHT OFFICE

Form CO • Application for Copyright Registration

1i. Published as a contribution in a larger work entitled

1j. If line 1i above names a serial issue

Volume

Number

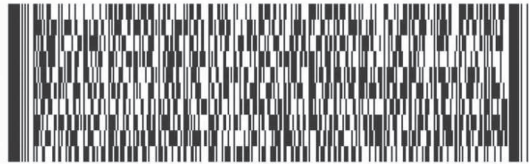
Issue

On pages

1k. If work was preregistered

Number PRE-

For Office Use Only



WorkBeingRegistered

2 AUTHOR INFORMATION

2a. Personal name * complete either 2a or 2b

First Name

Middle

Last

2b. Organization name

2c. Doing business as

2d. Year of birth

2e. Year of death

2f. *

☐ Citizenship☐ Domicile2g. Author's contribution: ☐ Made for hire☐ Anonymous☐ Pseudonymous

Continuation of Author Information

2h. * This author created (Fill in only the authorship that applies to this author)

☐ Text/poetry☐ Compilation☐ Map/technical drawing☐ Music☐ Editing☐ Sculpture☐ Architectural work☐ Lyrics☐ Computer program☐ Jewelry design☐ Photography☐ Motion picture/audiovisual☐ Collective work☐ 2-dimensional artwork☐ Script/play/screenplay☐ Sound recording/performance

Other:

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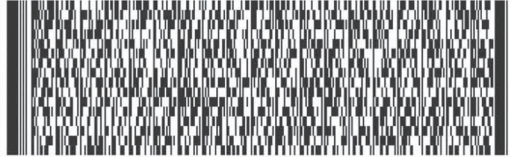
Form 13 (continued)



UNITED STATES COPYRIGHT OFFICE

Form CO • Application for Copyright Registration

For Office Use Only



AuthorInformation

3 COPYRIGHT CLAIMANT INFORMATION**Claimant***** complete either 3a or 3b** - If you do not know the address for a claimant, enter "not known" in the Street address and City fields.**3a. Personal name**

First Name	Middle	Last
<input type="text"/>	<input type="text"/>	<input type="text"/>

3b. Organization name**3c. Doing business as****3d. Street address ***

Street address (line 2)

City *	State	ZIP / Postal code	Country
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Email	Phone number	(Add "+-" and country code for foreign numbers)
<input type="text"/>	<input type="text"/>	

3e. If claimant is not an author, copyright ownership acquired by: ☐ Written agreement ☐ Will or inheritance ☐ Other

For Office Use Only



CopyrightClaimantInformation

Privacy Act Notice

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Page 3 of 7

Form 13 (continued)



UNITED STATES COPYRIGHT OFFICE

Form CO • Application for Copyright Registration

4 LIMITATION OF COPYRIGHT CLAIM

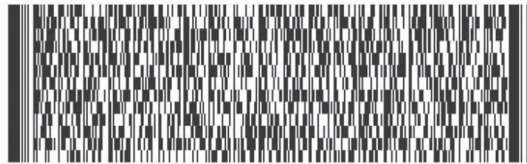
Skip section 4 if this work is all new.

4a. Material excluded from this claim (*Material previously registered, previously published, or not owned by this claimant*)
☐ Text ☐ Artwork ☐ Music ☐ Sound recording/performance ☐ Motion picture/audiovisual
Other:

4b. Previous registration(s)

Number Year Number Year 4c. New material included in this claim (*This work contains new, additional, or revised material*)
☐ Text ☐ Compilation ☐ Map/technical drawing ☐ Music
☐ Poetry ☐ Sculpture ☐ Architectural work ☐ Lyrics
☐ Computer program ☐ Jewelry design ☐ Photography ☐ Motion picture/audiovisual
☐ Editing ☐ 2-dimensional artwork ☐ Script/play/screenplay ☐ Sound recording/performance
Other:

For Office Use Only



LimitationOfCopyrightClaim

5 RIGHTS AND PERMISSIONS CONTACT

☐ Check if information below should be copied from the **first** copyright claimant
 First Name Middle Last

 Name of organization

 Street address

 Street address (line 2)

 City State ZIP / Postal code Country

Privacy Act Notice

Sections 408-410 of title 17 of the *United States Code* authorize the Copyright Office to collect the personally identifying information requested on this form in order to process the application for copyright registration. By providing this information you are agreeing to routine uses of the information that include publication to give legal notice of your copyright claim as required by 17 U.S.C. § 705. It will appear in the Office's online catalog. If you do not provide the information requested, registration may be refused or delayed, and you may not be entitled to certain relief, remedies, and benefits under the copyright law.

Form 13 (continued)

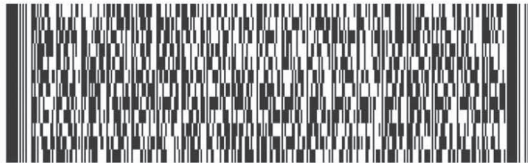


UNITED STATES COPYRIGHT OFFICE

Form CO • Application for Copyright Registration

Email Phone number (Add "+" and country code for foreign numbers)

For Office Use Only



RightsAndPermissionsContact

6 CORRESPONDENCE CONTACT

☐ Copy from **first** copyright claimant ☐ Copy from rights and permissions contact

First name * Middle Last *

Name of organization

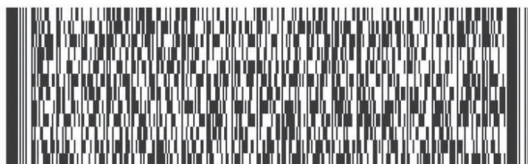
Street address *

Street address (line 2)

City * State ZIP / Postal code Country

Email * Daytime phone number (Add "+" and country code for foreign numbers)

For Office Use Only



CorrespondenceContact

7 MAIL CERTIFICATE TO:

* Complete either 7a, 7b, or both

☐ Copy from **first** copyright claimant ☐ Copy from rights and permissions contact ☐ Copy from correspondence contact

Privacy Act Notice

Sections 408-410 of title 17 of the United States Code authorize the Copyright Office to collect the personally identifying information requested on this form in order to process the application for copyright registration. By providing this information you are agreeing to routine uses of the information that include publication to give legal notice of your copyright claim as required by 17 U.S.C. § 705. It will appear in the Office's online catalog. If you do not provide the information requested, registration may be refused or delayed, and you may not be entitled to certain relief, remedies, and benefits under the copyright law.

Form 13 (continued)



UNITED STATES COPYRIGHT OFFICE

Form CO • Application for Copyright Registration

7a. First Name	Middle	Last
7b. Name of organization		
7c. Street address *		
Street address (line 2)		
City *	State	ZIP / Postal code
Country		
For Office Use Only  MailCertificateTo		

8 CERTIFICATION

17 U.S.C. § 506(e): Any person who knowingly makes a false representation of a material fact in the application for copyright registration provided for by section 409, or in any written statement filed in connection with the application, shall be fined not more than \$2,500.

I certify that I am the author, copyright claimant, or owner of exclusive rights, or the authorized agent of the author, copyright claimant, or owner of exclusive rights, of this work, and that the information given in this application is correct to the best of my knowledge.

8a. Handwritten signature

8b. Printed name



1/4/2012

8c. Date signed

8d. Deposit account number Account holder

--	--

8e. Applicant's internal tracking number (optional)

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Privacy Act Notice

Sections 408-410 of title 17 of the United States Code authorize the Copyright Office to collect the personally identifying information requested on this form in order to process the application for copyright registration. By providing this information you are agreeing to routine uses of the information that include publication to give legal notice of your copyright claim as required by 17 U.S.C. § 705. It will appear in the Office's online catalog. If you do not provide the information requested, registration may be refused or delayed, and you may not be entitled to certain relief, remedies, and benefits under the copyright law.

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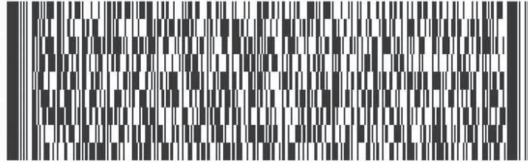
Form 13 (continued)



UNITED STATES COPYRIGHT OFFICE

Form CO • Application for Copyright Registration

For Office Use Only



Certification

Privacy Act Notice

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Page 7 of 7

Form 14

**EMPLOYEE NONDISCLOSURE AND
NONCOMPETITION AGREEMENT**

This Nondisclosure and Noncompetition Agreement is entered into this _____ day of _____, 20_____, by and between Donoghue Communications, Inc. (the “Company”), a New York corporation with its principal address at _____, and Robert Lawrence (“Employee”), an individual with an address at _____.

WHEREAS, the Company desires to employ the Employee as a senior computer consultant and developer; and

WHEREAS, the Employee is willing to accept such employment with the Company and to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Employee, it is agreed by the Employee as follows:

1. **Acknowledgments.** The Employee acknowledges that (i) the Company is engaged and in the future will be engaged in the business of providing computer software consulting services (the foregoing, together with any other businesses that the Company engages in during the Restricted Period [as defined below], being hereinafter referred to as the “Company Business”); (ii) his position has and will allow him access to trade secrets of and confidential information concerning the Company and its operations; (iii) the Company Business is national and international in scope; (iv) the Company would not have employed Employee but for the agreements and covenants contained in this Agreement; and (v) the agreements and covenants contained in this Agreement are essential to protect the business and goodwill of the Company during the Restricted Period.
2. **Covenant Not to Compete.** During the Restricted Period, Employee shall not within a fifty (50)-mile radius of any Company office or location, either directly or indirectly:
 - a. engage in any business or activity that competes with Company Business; or
 - b. solicit business or perform work for any past or present client of the Company for the benefit of anyone other than the Company or participate or assist in any way in the solicitation of business from or performance of work for any such client as an independent contractor or consultant to any other entity; or
 - c. except for employment by the Company, enter into the employ of any person or entity engaged in any business that competes with the Company Business; or
 - d. hire any past or present employee of the Company or solicit or encourage any employee to leave the employment of the Company; or
 - e. have an interest in any entity engaged in any business that competes with the Company Business, directly or indirectly, in any capacity, including, without limitation, as a member, partner, shareholder, officer, director, principal, agent, or trustee or any other relationship or capacity; provided, however, Employee may own, solely as an investment, securities of any entity which are publicly traded if Employee is not a controlling person of, or a member of a group that controls, such entity or does not, directly or indirectly, own five percent (5%) or more of any class of securities of such entity; or
 - f. Interfere with business relationships (whether formed heretofore or hereafter) between the Company and clients of the Company.

Form 14 (continued)

3. **Confidential Information.** During the Restricted Period, Employee shall keep secret and retain in strictest confidence, and shall not use for the benefit of himself or others except in connection with the business and affairs of the Company, all confidential information relating to the Company Business, including, without limitation, know-how, trade secrets, client lists, details of contracts, pricing policies, marketing plans or strategies, financial information, business development techniques or plans, business acquisition plans, personnel information, processes, designs and design projects, inventions and research projects, and other business affairs relating to the Company Business (collectively, "Confidential Information"), learned by Employee heretofore or hereafter, and shall not disclose them or engage in any activity that might inevitably lead to disclosure of them to anyone outside of the Company except with the Company's express prior written consent. Notwithstanding the foregoing, the obligations of Employee under this Section shall not apply to Confidential Information:
- a. which at the date hereof or thereafter becomes a matter of public knowledge without breach by Employee of this Agreement; or
 - b. which is obtained by Employee from a person or entity (other than the Company) under circumstances permitting its disclosure to others.
4. **Ownership of Work Product.** Unless otherwise specified in writing, all programs, software, documentation, modifications to software or documentation, specifications, work of authorship, inventions, techniques, concepts, and ideas developed or provided under this Agreement ("Work Product"), whether or not copyrightable or patentable, are the proprietary property of Company, and all right, title, and interest therein is vested in the Company and shall belong exclusively to the Company free and clear of any lien or claim of any kind by Employee. Such Work Product shall be "work made for hire" as that term is defined in the United States Copyright Act, and consequently, the Company shall be the author for copyright purposes of such Work Product and shall own the copyright to all of such Work Product. To the extent that any of such Work Product may not be work made for hire, Employee agrees to and hereby does by this instrument immediately and irrevocably assign to Company the ownership of all copyrights, patents, trademarks, and any other proprietary rights throughout the world in such Work Product. To the extent that any of the foregoing waivers and assignments are not valid and enforceable under applicable laws, Employee hereby grants Company a perpetual, irrevocable, royalty-free, exclusive, assignable right and license throughout the world, to use, modify, market, and create derivative works based upon the Work Product without attribution to Employee. Employee further agrees to assist and cooperate with Company and take any action reasonably necessary for Company to perfect its rights in the Work Product, including signing and prosecuting applications for trademark, copyright, and patent, and any other action necessary to fulfill the intent of this Agreement.
5. **Restricted Period.** For purposes of this Agreement, the term "Restricted Period" shall mean the period commencing on the date of this Agreement and continuing for one year after the termination of Employee's employment with the Company for any reason.
6. **Restrictive Covenants.** For purposes of this Agreement, the term "Restrictive Covenants" shall mean the provisions of Sections 2 and 3 of this Agreement.
7. **Absence of Conflict.** Employee represents that his performance of all of the terms of this Agreement does not and will not breach any agreement entered into by Employee.
8. **Specific Performance.** Notwithstanding anything to the contrary herein contained, if Employee breaches or threatens to commit a breach of any of the Restrictive Covenants, the Company shall have the right to have the Restrictive Covenants specifically enforced by any court having equity jurisdiction,

Form 14 (continued)

it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

9. **Severability.** Employee acknowledges and agrees that the Restrictive Covenants are reasonable in nature and in geographic and temporal scope and in all other respects. If any court or arbitrator determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions.
10. **Blue-Penciling.** If any court or arbitrator determines that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the nature, duration, or geographic scope of such provision, such court or arbitrator shall have the power to reduce the nature, duration, or scope of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable and shall be enforced.
11. **Entire Agreement and Amendment.** This Agreement contains the entire understanding and agreement of the parties relating to the subject matter thereof and supersedes all prior oral or written agreements between the parties with respect to such matters. This Agreement may be amended only by a writing signed by both parties hereto.
12. **Remedies Cumulative.** The remedies provided herein shall be cumulative, and shall not preclude any party from asserting any other rights or seeking any other remedies against the other party or such other party's successors or permitted assigns, pursuant to this Agreement and as provided by applicable law.
13. **Assignment; Binding Effect.** This Agreement may not be assigned by either party without the prior written consent of the other party. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.
14. **Governing Law; Severability.** This Agreement shall be governed by and construed in accordance with the laws of the State of _____ regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. In the event that any provision of this Agreement shall be held invalid or unenforceable, such holding shall not invalidate or render unenforceable any other provision hereof.
15. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties has executed this Agreement or caused this Agreement to be duly executed on its behalf by a party duly authorized, as of the date provided hereinabove.

DONOGHUE COMMUNICATIONS, INC.

By: _____

Name: _____

Title: _____

ROBERT LAWRENCE

Form 15

EVALUATION AGREEMENT

This Evaluation Agreement is entered into this _____ day of _____, 20_____, by and between Paul Gibson ("Gibson") and American Data Systems, Inc. ("ADS").

WHEREAS, Gibson and ADS intend to engage in discussions and negotiations for the purpose of developing a mutually beneficial relationship; and

WHEREAS, Gibson will furnish to ADS certain confidential information relating to a product invented, developed, and owned by Gibson (the "Product") and ADS will review and evaluate the Product for the purpose of determining whether ADS will manufacture, market, and sell the Product.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Gibson will make available the Product to ADS, which will review and evaluate the Product solely for the purposes expressed herein.
2. ADS agrees to hold in strict trust and confidence the Product and any materials or information related thereto disclosed by Gibson to ADS.
3. Neither ADS nor its agents, representatives, or employees will use the Product or any materials or information related thereto for any purpose other than as stated herein and shall not copy, reproduce, sell, reverse engineer, reveal, or otherwise disclose the Product and any materials or information related thereto to any person.
4. No copies may be made or retained by ADS of the Product or any materials or information related thereto without Gibson's prior written consent.
5. In the event Gibson and ADS shall not enter into a business arrangement or other written agreement, ADS shall return to Gibson the Product and all materials and information related thereto upon Gibson's written demand therefor and will destroy any notes, copies, photographs, or other materials relating to the Product.
6. ADS shall not circumvent or otherwise try to avoid, directly or indirectly, any term or provision or intent or purpose expressed herein.
7. The obligations of this Agreement shall remain in force for a period of five (5) years after termination of any discussions between the parties with respect to the subject matter hereof.

Paul Gibson

Date: _____

American Data Systems, Inc.

By: _____

Its: _____

Date: _____

Form 16

CONFIDENTIALITY AGREEMENT

Harris & Marston, Inc. ("HMI"), a corporation with its principal place of business at 123 Elm Street, Kansas City, MO, is interested in entering into discussions with GMA TechLab Co. (the "Company"), with its principal place of business at 4365 Canyon Avenue, Phoenix, AZ, to evaluate a possible business relationship between HMI and the Company (the "Transaction"). In the course of discussing the Transaction, HMI expects to disclose to the Company certain confidential trade and business information and HMI wishes to ensure that the confidentiality of such information will be protected in accordance with the terms and conditions of this Agreement. Therefore, the parties agree as follows:

1. Except as may be required by relevant law, the Company agrees that it will maintain in strict confidence all records, drawings, designs, inventions, marketing plans, customer lists, and other information ("Information") received from HMI or its representatives during the course of their discussions. The Company further agrees that any Information obtained from HMI or its representatives will not be revealed or otherwise disclosed to any third party, except to each party's authorized representatives who need to know such Information for the purpose of evaluating any such possible Transaction. The Company agrees to maintain at least the same procedures regarding the Information that it maintains with respect to its own confidential information. In the event either party terminates the discussions, the Company will promptly return to HMI upon demand all Information, books, records, and other documents acquired from HMI during the course of discussions and will not retain any copies of such materials.
2. The parties agree that they will not make or indirectly cause any third party to make any communications, whether oral or written, to the public or to any third party concerning the existence or status of these discussions, except that communications can be made to duly authorized representatives of the parties.
3. The Company represents that it will use Information obtained from HMI for the sole and exclusive purpose of evaluating a possible business arrangement between them and for no other purpose whatsoever.
4. The Company shall not be subject to the restrictions imposed herein with respect to any information if the information
 - a. was known to the Company or had been independently developed by it at the time of receipt without breach of this Agreement or any other agreement;
 - b. becomes generally available to the public other than as a result of disclosure by the Company; or
 - c. was lawfully obtained by the Company from another source without any breach of confidentiality.
5. The Company will not circumvent or otherwise try to avoid, directly or indirectly, any terms or provisions or the intent hereof.
6. The obligations of this Confidentiality Agreement shall remain in force for a period of two years after the termination of the discussions.

Form 16 (continued)

7. The information shall not be disclosed to any employee of or consultant to either party, or to any third party, unless they agree to execute and be bound by the terms of this Agreement.
8. If the Company breaches or threatens to commit a breach of this Agreement, HMI shall have the right to have this Agreement specifically enforced by any court of competent jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to HMI and that money damages will not provide an adequate remedy to HMI. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to HMI.
9. This Agreement contains the entire understanding and agreement of the parties relating to the subject matter hereof and supersedes all prior oral or written agreements between the parties and may be amended only by a writing signed by both parties hereto.

HARRIS & MARSTON, INC.

By: _____

Its: _____

Date: _____

GMA TECHLAB CO.

By: _____

Its: _____

Date: _____



Appendix E

Selected Statutes

Note. Not all statutes or sections thereof pertaining to trademarks, copyrights, and patents are included.

Trademarks
Copyrights
Patents

TRADEMARKS: TITLE 15 UNITED STATES CODE

Application for registration; verification [Section 1]

(a) *Application for use of trademark.*—(1) The owner of a trademark used in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may

be prescribed by the Director; and such number of specimens or facsimiles of the mark as used as may be required by the Director.

(2) The application shall include specification of the applicant's domicile and citizenship, the date of the applicant's first use of the mark, the date of the applicant's first use of the mark in commerce, the goods in connection with which the mark is used, and a drawing of the mark.

(3) The statement shall be verified by the applicant and specify that—

- (A) the person making the verification believes that he or she, or the juristic person in whose behalf he or she makes the verification, to be the owner of the mark sought to be registered;
- (B) to the best of the verifier's knowledge and belief, the facts recited in the application are accurate;

- (C) the mark is in use in commerce; and
- (D) to the best of the verifier's knowledge and belief, no other person has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to cause mistake, or to deceive, except that, in the case of every application claiming concurrent use, the applicant shall—
 - (i) state exceptions to the claim for exclusive use; and
 - (ii) shall specify, to the extent of the verifier's knowledge—
 - (I) any concurrent use by others;
 - (II) the goods on or in connection with which and the areas in which each concurrent use exists;
 - (III) the periods of each use; and
 - (IV) the goods and area for which the applicant desires registration.

(4) The applicant shall comply with such rules or regulations as may be prescribed by the Director. The Director shall promulgate rules prescribing the requirements for the application and for obtaining a filing date herein.

(b) *Application for bona fide intention to use trademark* (1) A person who has a bona fide intention, under circumstances showing the good faith of such person, to use a trademark in commerce may request registration of its trademark on the principal register hereby established by paying the prescribed fee and filing in the Patent and Trademark Office an application and a verified statement, in such form as may be prescribed by the Director.

(2) The application shall include specification of the applicant's domicile and citizenship, the goods in connection with which the applicant has a bona

fide intention to use the mark, and a drawing of the mark.

(3) The statement shall be verified by the applicant and specify—

- (A) that the person making the verification believes that he or she, or the juristic person in whose behalf he or she makes the verification, to be entitled to use the mark in commerce;
- (B) the applicant's bona fide intention to use the mark in commerce;
- (C) that, to the best of the verifier's knowledge and belief, the facts recited in the application are accurate; and
- (D) that, to the best of the verifier's knowledge and belief, no other person has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when used on or in connection with the goods of such other person, to cause confusion, or to cause mistake, or to deceive.

Except for applications filed pursuant to section 1126 of this title, no mark shall be registered until the applicant has met the requirements of subsections (c) and (d) of this section.

(4) The applicant shall comply with such rules or regulations as may be prescribed by the Director. The Director shall promulgate rules prescribing the requirements for the application and for obtaining a filing date herein.

(c) *Amendment of application under subsection (b) to conform to requirements of subsection (a).*—At any time during examination of an application filed under subsection (b) of this section, an applicant who has made use of the mark in commerce may claim the benefits of such use for purposes of this chapter, by amending his or her application to bring it into conformity with the requirements of subsection (a) of this section.

(d) *Verified statement that trademark is used in commerce.*—Verified statement that trademark is

used in commerce (1) Within six months after the date on which the notice of allowance with respect to a mark is issued under section § 1063(b)(2) of this title to an applicant under subsection (b) of this section, the applicant shall file in the Patent and Trademark Office, together with such number of specimens or facsimiles of the mark as used in commerce as may be required by the Director and payment of the prescribed fee, a verified statement that the mark is in use in commerce and specifying the date of the applicant's first use of the mark in commerce, and those goods or services specified in the notice of allowance on or in connection with which the mark is used in commerce. Subject to examination and acceptance of the statement of use, the mark shall be registered in the Patent and Trademark Office, a certificate of registration shall be issued for those goods or services recited in the statement of use for which the mark is entitled to registration, and notice of registration shall be published in the Official Gazette of the Patent and Trademark Office. Such examination may include an examination of the factors set forth in subsections (a) through (e) of section 1052 of this title. The notice of registration shall specify the goods or services for which the mark is registered.

(2) The Director shall extend, for one additional 6-month period, the time for filing the statement of use under paragraph (1), upon written request of the applicant before the expiration of the 6-month period provided in paragraph (1). In addition to an extension under the preceding sentence, the Director may, upon a showing of good cause by the applicant, further extend the time for filing the statement of use under paragraph (1) for periods aggregating not more than 24 months, pursuant to written request of the applicant made before the expiration of the last extension granted under this paragraph. Any request for an extension under this paragraph shall be accompanied by a verified statement that the applicant has a continued bona fide intention to use the mark in commerce and specifying those goods or services

identified in the notice of allowance on or in connection with which the applicant has a continued bona fide intention to use the mark in commerce. Any request for an extension under this paragraph shall be accompanied by payment of the prescribed fee. The Director shall issue regulations setting forth guidelines for determining what constitutes good cause for purposes of this paragraph.

(3) The Director shall notify any applicant who files a statement of use of the acceptance or refusal thereof and, if the statement of use is refused, the reasons for the refusal. An applicant may amend the statement of use.

(4) The failure to timely file a verified statement of use under paragraph (1) or an extension request under paragraph (2) shall result in abandonment of the application, unless it can be shown to the satisfaction of the Director that the delay in responding was unintentional, in which case the time for filing may be extended, but for a period not to exceed the period specified in paragraphs (1) and (2) for filing a statement of use.

(e) *Designation of resident for service of process and notices.*—If the applicant is not domiciled in the United States the applicant may designate, by a written document filed in the United States Patent and Trademark Office, the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark. Such notices or process may be served upon the person so designated by leaving with that person or mailing to that person a copy thereof at the address specified in the last designation so filed. If the person so designated cannot be found at the address given in the last designation, or if the registrant does not designate by a document filed in the United States Patent and Trademark Office the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark, such notice or process may be served on the Director.

§ 1052 Trademarks registrable on principal register; concurrent registration [Section 2]

No trademark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it—

- (a) Consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt, or disrepute; or a geographical indication which, when used on or in connection with wines or spirits, identifies a place other than the origin of the goods and is first used on or in connection with wines or spirits by the applicant on or after one year after the date on which the WTO Agreement (as defined in section 3501 (9) of Title 19) enters into force with respect to the United States.
- (b) Consists of or comprises the flag or coat of arms or other insignia of the United States, or of any State or municipality, or of any foreign nation, or any simulation thereof.
- (c) Consists of or comprises a name, portrait, or signature identifying a particular living individual except by his written consent, or the name, signature, or portrait of a deceased President of the United States during the life of his widow, if any, except by the written consent of the widow.
- (d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: Provided, That if the Director

determines that confusion, mistake, or deception is not likely to result from the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods on or in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this chapter; (2) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Director when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Director shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods on or in connection with which such mark is registered to the respective persons.

- (e) Consists of a mark which (1) when used on or in connection with the goods of the applicant is merely descriptive or deceptively misdescriptive of them, (2) when used on or in connection with the goods of the applicant is primarily geographically descriptive of them, except as indications of regional origin may be registrable under section 1054 of this title,

(3) when used on or in connection with the goods of the applicant is primarily geographically deceptively misdescriptive of them, (4) is primarily merely a surname, or (5) comprises any matter that, as a whole, is functional.

- (f) Except as expressly excluded in subsections (a), (b), (c), (d), (e)(3), and (e)(5) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods in commerce. The Director may accept as prima facie evidence that the mark has become distinctive, as used on or in connection with the applicant's goods in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years before the date on which the claim of distinctiveness is made. Nothing in this section shall prevent the registration of a mark which, when used on or in connection with the goods of the applicant, is primarily geographically deceptively misdescriptive of them, and which became distinctive of the applicant's goods in commerce before December 8, 1993. A mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may be refused registration only pursuant to a proceeding brought under section 1063 of this title. A registration for a mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may be canceled pursuant to a proceeding brought under either section 1064 of this title or section 1092 of this title.

§ 1053 Service marks registrable [Section 3]

Subject to the provisions relating to the registration of trademarks, so far as they are applicable, service marks shall be registrable, in the same manner and

with the same effect as are trademarks, and when registered they shall be entitled to the protection provided in this chapter in the case of trademarks. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trademarks.

§ 1054 Collective marks and certification marks registrable [Section 4]

Subject to the provisions relating to the registration of trademarks, so far as they are applicable, collective and certification marks, including indications of regional origin, shall be registrable under this chapter, in the same manner and with the same effect as are trademarks, by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered, even though not possessing an industrial or commercial establishment, and when registered they shall be entitled to the protection provided in this chapter in the case of trademarks, except in the case of certification marks when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trademarks.

§ 1057 Certificates of registration [Section 7]

(a) *Issuance and form.*—Certificates of registration of marks registered upon the principal register shall be issued in the name of the United States of America, under the seal of the Patent and Trademark Office, and shall be signed by the Director or have his signature placed thereon, and a record thereof shall be kept in the United States Patent and Trademark Office. The registration shall reproduce the mark, and

state that the mark is registered on the principal register under this chapter, the date of the first use of the mark, the date of the first use of the mark in commerce, the particular goods or services for which it is registered, the number and date of the registration, the term thereof, the date on which the application for registration was received in the United States Patent and Trademark Office, and any conditions and limitations that may be imposed in the registration.

(b) *Certificate as prima facie evidence.*—A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the owner's ownership of the mark, and of the owner's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate, subject to any conditions or limitations stated in the certificate.

(c) *Application to register mark considered constructive use.*—Contingent on the registration of a mark on the principal register provided by this chapter, the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and who, prior to such filing—

- (1) has used the mark;
- (2) has filed an application to register the mark which is pending or has resulted in registration of the mark; or
- (3) has filed a foreign application to register the mark on the basis of which he or she has acquired a right of priority, and timely files an application under section 1126(d) of this title to register the mark which is pending or has resulted in registration of the mark.

[Other subsections omitted.]

§ 1058 Duration of registration [Section 8]

(a) *Time periods for required affidavits.*—Each registration shall remain in force for 10 years, except that the registration of any mark shall be canceled by the Director unless the owner of the registration files in the United States Patent and Trademark office affidavits that meet the requirements of subsection (b), within the following time periods:

- (1) Within the 1-year period immediately preceding the expiration of 6 years following the date of registration under this chapter or the date of the publication under section 12(c).
- (2) Within the 1-year period immediately preceding the expiration of 10 years following the date of registration, and each successive 10-year period following the date of registration.
- (3) The owner may file the affidavit required under this section within the 6-month grace period immediately following the expiration of the periods established in paragraphs (1) and (2), together with the fee described in subsection (b) and the additional grace period surcharge prescribed by the Director.

(b) *Requirements for affidavit.*—The affidavit referred to in subsection (a) shall—

- (1) (A) state the mark is in use in commerce;
- (B) set forth the goods and services recited in the registration on or in connection with which the mark is in use in commerce;
- (C) be accompanied by such number of specimens or facsimiles showing current use of the mark in commerce as may be required by the Director: and
- (D) be accompanied by the fee prescribed by the Director; or

- (2) (A) set forth the goods and services recited in the registration on or in connection with which the mark is not in use in commerce;
- (B) include a showing that any nonuse is due to special circumstances which excuse nonuse and is not due to any intention to abandon the mark; and
- (C) be accompanied by the fee prescribed by the Director.

(c) *Deficient affidavit.*—If any submission filed within the period set forth in subsection (a) is deficient, including that the affidavit was not filed in the name of the owner of the registration, the deficiency may be corrected after the statutory time period, within the time prescribed after notification of the deficiency. Such submission shall be accompanied by the additional deficiency surcharge prescribed by the Director.

(d) *Notice of requirement.*—Special notice of the requirement for such affidavit shall be attached to each certificate of registration and notice of publication under section 1062(c) of this title.

(e) *Notification of acceptance or refusal.*—The Director shall notify any owner who files any affidavit required by this section of the Director's acceptance or refusal thereof and, in the case of a refusal the reasons therefor.

(f) *Designation of resident for service of process and notices.*—If the owner is not domiciled in the United States, the owner may designate by a document filed in the United States Patent and Trademark Office, the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark. Such notices or process may be served upon the person so designated by leaving with that person or mailing to that person a copy thereof at the address specified in the last designation so filed. If the person so designated cannot be found at the address specified in the last designation so filed. If the person so designated

cannot be found at the last designated address, or if the owner does not designate by a document filed in the United States Patent and Trademark Office the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark, such notices or process may be served on the Director.

§ 1059 Renewal of registration [Section 9]

(a) *Period of renewal; time for renewal.*—Subject to the provisions of section 1058 of this title, each registration may be renewed for periods of 10 years at the end of each successive 10-year period following the date of registration upon payment of the prescribed fee and the filing of a written application, in such form as may be prescribed by the Director. Such application may be made at any time within 1 year before the end of each successive 10-year period for which the registration was issued or renewed, or it may be made within a grace period of 6 months after the end of each successive 10-year period, upon payment of a fee and surcharge prescribed therefor. If any application filed under this section is deficient, the deficiency may be corrected within the time prescribed after notification of the deficiency, upon payment of a surcharge prescribed therefor.

(b) *Notification of refusal of renewal.*—If the Director refuses to renew the registration, the Director shall notify the registrant of the Commissioner's refusal and the reasons therefor.

(c) *Designation of resident for service of process and notices.*—If the registrant is not domiciled in the United States, the registrant may designate by a written document filed in the United States Patent and Trademark Office the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark. Such notices or process may be

served upon the person so designated by leaving with that person or mailing to that person a copy thereof at the address specified in the last designation so filed. If the person so designated cannot be found at the address given in the last designation, or if the registrant does not designate by a document filed in the United States Patent and Trademark Office the name and address of a person resident in the United States on whom may be served notices or process in proceedings affecting the mark, such notices or process may be served on the Director.

§ 1060 Assignment [Section 10]

(a) (1) A registered mark or a mark for which an application to register has been filed shall be assignable with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark. Notwithstanding the preceding sentence, no application to register a mark under section 1051(b) of this title shall be assignable prior to the filing of an amendment under section 1051(c) of this title to bring the application into conformity with section 1051(a) of this title or the filing of the verified statement of use under section 1051(d) of this title, except for an assignment to a successor to the business of the applicant, or portion thereof, to which the mark pertains, if that business is ongoing and existing. (2) In any assignment authorized by this section, it shall not be necessary to include the good will of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted. (3) Assignments shall be by instruments in writing duly executed. Acknowledgment shall be prima facie evidence of the execution of an assignment, and when the prescribed information reporting the assignment is recorded in the United States Patent and Trademark Office, the

record shall be prima facie evidence of execution.

(4) An assignment shall be void against any subsequent purchaser for valuable consideration without notice, unless the prescribed information reporting the assignment is recorded in the United States Patent and Trademark Office within 3 months after the date of the assignment or prior to the subsequent purchase. (5) The United States Patent and Trademark Office shall maintain a record of information on assignments, in such form as may be prescribed by the Director.

[Subsection (b) omitted.]

§ 1063 Opposition to registration [Section 13]

(a) Any person who believes that he would be damaged by the registration of a mark upon the principal register, including the registration of any mark which would be likely to cause dilution by blurring or dilution by tarnishment under section 1125(c) of this title, may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor, within thirty days after the publication under subsection (a) of section 1062 of this title of the mark sought to be registered. Upon written request prior to the expiration of the thirty-day period, the time for filing opposition shall be extended for an additional thirty days, and further extensions of time for filing opposition may be granted by the Director for good cause when requested prior to the expiration of an extension. The Director shall notify the applicant of each extension of the time for filing opposition. An opposition may be amended under such conditions as may be prescribed by the Director.

(b) Unless registration is successfully opposed—

- (1) a mark entitled to registration on the principal register based on an application filed under section 1051(a) of this title or

pursuant to section 1126 of this title shall be registered in the Patent and Trademark Office, a certificate of registration shall be issued, and notice of the registration shall be published in the Official Gazette of the Patent and Trademark Office; or

- (2) a notice of allowance shall be issued to the applicant if the applicant applied for registration under section 1051(b) of this title.

§ 1064 Cancellation of registration [Section 14]

A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged, including as a result of a likelihood of dilution by blurring or dilution by tarnishment under section 1125(c) of this title, by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905:

- (1) Within five years from the date of the registration of the mark under this chapter.
- (2) Within five years from the date of publication under section 1062(c) of this title of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905.
- (3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or is functional, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b), or (c) of section 1052 of this title for a registration under this chapter, or contrary to similar prohibitory provisions of such prior Acts for a registration under such

Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

[Sections (4) and (5) omitted.]

§ 1065 Incontestability of right to use mark under certain conditions [Section 15]

Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the owner to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: *Provided*, That—

- (1) there has been no final decision adverse to owner's claim of ownership of such mark for such goods or services, or to owner's right to register the same or to keep the same on the register; and
- (2) there is no proceeding involving said rights pending in the United States Patent and Trademark Office or in a court and not finally disposed of; and
- (3) an affidavit is filed with the Director within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and the other matters specified in paragraphs (1) and (2) of this section; and
- (4) no incontestable right shall be acquired in a mark which is the generic name for the goods or services or a portion thereof, for which it is registered.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the Director within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 1062 of this title.

The Director shall notify any registrant who files the above-prescribed affidavit of the filing thereof.

§ 1091 Supplemental register [Section 23]

(a) *Marks registrable.*—In addition to the principal register, the Director shall keep a continuation of the register provided in paragraph (b) of section 1 of the

Act of March 19, 1920, entitled “An Act to give effect to certain provisions of the convention for the protection of trademarks and commercial names, made and signed in the city of Buenos Aires, in the Argentine Republic, August 20, 1910, and for other purposes,” to be called the supplemental register. All marks capable of distinguishing applicant's goods or services and not registrable on the principal register provided in this chapter, except those declared to be unregistrable under subsections (a), (b), (c), and (d) and (e)(3) of section 1052 of this title, which are in lawful use in commerce by the owner thereof, on or in connection with any goods or services may be registered on the supplemental register upon the payment of the prescribed fee and compliance with the provisions of subsections (a) and (e) of section 1051 of this title so far as they are applicable. Nothing in this section shall prevent the registration on the supplemental register of a mark, capable of distinguishing the applicant's goods or services and not registrable on the principal register under this chapter, that is declared to be unregistrable under section 1052(e)(3) of this title, if such mark has been in lawful use in commerce by the owner thereof, on or in connection with any goods or services, since before December 8, 1993.

(b) *Application and proceedings for registration.*—Upon the filing of an application for registration on the supplemental register and payment of the prescribed fee the Director shall refer the application to the examiner in charge of the registration of marks, who shall cause an examination to be made and if on such examination it shall appear that the applicant is entitled to registration, the registration shall be granted. If the applicant is found not entitled to registration the provisions of subsection (b) of section 1062 of this title shall apply.

(c) *Nature of mark.*—For the purposes of registration on the supplemental register, a mark may consist of any trademark, symbol, label, package, configuration of goods, name, word, slogan, phrase, surname,

geographical name, numeral, device, any matter that as a whole is not functional, or any combination of any of the foregoing, but such mark must be capable of distinguishing the applicant's goods or services.

§ 1111 Notice of registration; display with mark; recovery of profits and damages in infringement suit [Section 29]

Notwithstanding the provisions of section 1072 of this title, a registrant of a mark registered in the Patent and Trademark Office may give notice that his mark is registered by displaying with the mark the words "Registered in U.S. Patent and Trademark Office" or "Reg. U.S. Pat. & Tm. Off." or the letter R enclosed within a circle, thus®; and in any suit for infringement under this chapter by such a registrant failing to give such notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration.

§ 1115 Registration on principal register as evidence of exclusive right to use mark; defenses [Section 33]

(a) *Evidentiary value; defenses.*—Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or

defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

(b) *Incontestability; defenses.*—To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

- (1) That the registration or the incontestable right to use the mark was obtained fraudulently; or
- (2) That the mark has been abandoned by the registrant; or
- (3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or
- (4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith

only to describe the goods or services of such party, or their geographic origin; or

- (5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: *Provided, however,* That this defense of defect shall apply only for the area in which such continuous prior use is proved; or
- (6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: *Provided, however,* That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or
- (7) That the mark has been or is being used to violate the antitrust laws of the United States; or
- (8) That the mark is functional; or
- (9) That equitable principles, including laches, estoppel, and acquiescence are applicable.

§ 1125 False designations of origin, false descriptions, and dilution forbidden [Section 43]

(a) *Civil action.*—(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name,

symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

- (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
 - (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
- shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term “any person” includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

(b) *Importation.*—Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this chapter in cases involving goods refused entry or seized.

(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief

Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

(2) Definitions

(A) For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(B) For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or

trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

(C) For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

(3) Exclusions

The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

- (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—
 - (i) advertising or promotion that permits consumers to compare goods or services; or
 - (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

(4) Burden of proof

In a civil action for trade dress dilution under this chapter for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that—

(A) the claimed trade dress, taken as a whole, is not functional and is famous; and

(B) if the claimed trade dress includes any mark or marks registered on the principal register, the unregistered matter, taken as a whole, is famous separate and apart from any fame of such registered marks.

(5) Additional remedies

In an action brought under this subsection, the owner of the famous mark shall be entitled to injunctive relief as set forth in section 1116 of this title. The owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity if—

(A) the mark or trade name that is likely to cause dilution by blurring or dilution by tarnishment was first used in commerce by the person against whom the injunction is sought after October 6, 2006; and

(B) in a claim arising under this subsection—

(i) by reason of dilution by blurring, the person against whom the injunction is sought willfully intended to trade on the recognition of the famous mark; or

(ii) by reason of dilution by tarnishment, the person against whom the injunction is sought willfully intended to harm the reputation of the famous mark.

(6) Ownership of valid registration a complete bar to action

The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of

February 20, 1905, or on the principal register under this chapter shall be a complete bar to an action against that person, with respect to that mark, that—

(A) (i) is brought by another person under the common law or a statute of a State; and

(ii) seeks to prevent dilution by blurring or dilution by tarnishment; or

(B) asserts any claim of actual or likely damage or harm to the distinctiveness or reputation of a mark, label, or form of advertisement.

(7) Savings clause

Nothing in this subsection shall be construed to impair, modify, or supersede the applicability of the patent laws of the United States.

(d) Cyberpiracy prevention

(1) (A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of Title 18 or section 220506 of Title 36.

(B) (i) In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not

distinctive and famous within the meaning of subsection (c) of this section.

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

(D) A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant's authorized licensee.

(E) As used in this paragraph, the term "traffics in" refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

[Other subsections omitted.]

§ 1127 Construction and definitions; intent of chapter [Section 45]

In the construction of this chapter, unless the contrary is plainly apparent from the context—

The United States includes and embraces all territory which is under its jurisdiction and control.

The word "commerce" means all commerce which may lawfully be regulated by Congress.

The term "principal register" refers to the register provided for by sections 1051 to 1072 of this title, and the term "supplemental register" refers to the register provided for by sections 1091 to 1096 of this title.

The term “person” and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this chapter includes a juristic person as well as a natural person. The term “juristic person” includes a firm, corporation, union, association, or other organization capable of suing and being sued in a court of law.

The term “person” also includes the United States, any agency or instrumentality thereof; or any individual, firm, or corporation acting for the United States and with the authorization and consent of the United States. The United States, any agency or instrumentality thereof, and any individual, firm, or corporation acting for the United States and with the authorization and consent of the United States, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

The term “person” also includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this chapter in the same manner and to the same extent as any nongovernmental entity.

The terms “applicant” and “registrant” embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.

The term “Director” means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

The term “related company” means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.

The terms “trade name” and “commercial name” mean any name used by a person to identify his or her business or vocation.

The term “trademark” includes any word, name, symbol, or device, or any combination thereof—

- (1) used by a person, or
- (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The term “service mark” means any word, name, symbol, or device, or any combination thereof—

- (1) used by a person, or
- (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

The term “certification mark” means any word, name, symbol, or device, or any combination thereof—

- (1) used by a person other than its owner, or
- (2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this chapter,

to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

The term "collective mark" means a trademark or service mark—

- (1) used by the members of a cooperative, an association, or other collective group or organization, or
- (2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter,

and includes marks indicating membership in a union, an association, or other organization.

The term "mark" includes any trademark, service mark, collective mark, or certification mark.

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

- (1) on goods when—
 - (A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

- (B) the goods are sold or transported in commerce, and
- (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

A mark shall be deemed to be "abandoned" when either of the following occurs:

- (1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of that mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.
- (2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

The term "registered mark" means a mark registered in the United States Patent and Trademark Office under this chapter or under the Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The phrase "marks registered in the Patent and Trademark Office" means registered marks.

The term “Act of March 3, 1881,” “Act of February 20, 1905,” or “Act of March 19, 1920,” means the respective Act as amended.

A “counterfeit” is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

The term “domain name” means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.

The term “Internet” has the meaning given that term in section 230(f)(1) of Title 47.

Words used in the singular include the plural and vice versa.

The intent of this chapter is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

COPYRIGHTS: TITLE 17 UNITED STATES CODE

§ 101 Definitions

Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:

An “anonymous work” is a work on the copies or phonorecords of which no natural person is identified as author.

An “architectural work” is the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features.

“Audiovisual works” are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.

The “Berne Convention” is the Convention for the Protection of Literary and Artistic Works, signed at Berne, Switzerland, on September 9, 1886, and all acts, protocols, and revisions thereto.

The “best edition” of a work is the edition, published in the United States at any time before the date of deposit, that the Library of Congress determines to be most suitable for its purposes.

A person’s “children” are that person’s immediate offspring, whether legitimate or not, and any children legally adopted by that person.

A “collective work” is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.

A “compilation” is a work formed by the collection and assembling of pre-existing materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term “compilation” includes collective works.

A “computer program” is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.

“Copies” are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “copies” includes the material object, other than a phonorecord, in which the work is first fixed.

“Copyright owner,” with respect to any one of the exclusive rights comprised in a copyright, refers to the owner of that particular right.

A “Copyright Royalty Judge” is a Copyright Royalty Judge appointed under section 802 of this title, and includes any individual serving as an interim Copyright Royalty Judge under such section.

A work is “created” when it is fixed in a copy or phonorecord for the first time; where a work is prepared over a period of time, the portion of it that has been fixed at any particular time constitutes the work as of that time, and where the work has been prepared in different versions, each version constitutes a separate work.

A “derivative work” is a work based upon one or more preexisting works, such as a translation, musical arrangement,

dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a “derivative work.”

A “device,” “machine,” or “process” is one now known or later developed.

A “digital transmission” is a transmission in whole or in part in a digital or other nonanalog format.

To “display” a work means to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.

An “establishment” is a store, shop, or any similar place of business open to the general public for the primary purpose of selling goods or services in which the majority of the gross square feet of space that is nonresidential is used for that purpose, and in which nondramatic musical works are performed publicly.

The term “financial gain” includes receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works.

A work is “fixed” in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more

than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is “fixed” for purposes of this title if a fixation of the work is being made simultaneously with its transmission.

A “food service or drinking establishment” is a restaurant, inn, bar, tavern, or any other similar place of business in which the public or patrons assemble for the primary purpose of being served food or drink, in which the majority of the gross square feet of space that is nonresidential is used for that purpose, and in which nondramatic musical works are performed publicly.

The “Geneva Phonograms Convention” is the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, concluded at Geneva, Switzerland, on October 29, 1971.

The “gross square feet of space” of an establishment means the entire interior space of that establishment, and any adjoining outdoor space used to serve patrons, whether on a seasonal basis or otherwise.

The terms “including” and “such as” are illustrative and not limitative.

An “international agreement” is—

- (1) the Universal Copyright Convention;
- (2) the Geneva Phonograms Convention;
- (3) the Berne Convention;
- (4) the WTO Agreement;
- (5) the WIPO Copyright Treaty;
- (6) the WIPO Performances and Phonograms Treaty; and
- (7) any other copyright treaty to which the United States is a party.

A “joint work” is a work prepared by two or more authors with the intention that their

contributions be merged into inseparable or interdependent parts of a unitary whole.

“Literary works” are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards in which they are embodied.

“Motion pictures” are audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.

The term “motion picture exhibition facility” means a movie theater, screening room, or other venue that is being used primarily for the exhibition of a copyrighted motion picture, if such exhibition is open to the public or is made to an assembled group of viewers outside of a normal circle of a family and its social acquaintances.

To “perform” a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

A “performing rights society” is an association, corporation, or other entity that licenses the public performance of nondramatic musical works on behalf of copyright owners of such works, such as the American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI), and SESAC, Inc.

“Phonorecords” are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work,

are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term “phonorecords” includes the material object in which the sounds are first fixed.

“Pictorial, graphic, and sculptural works” include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

For purposes of section 513, a “proprietor” is an individual, corporation, partnership, or other entity, as the case may be, that owns an establishment or a food service or drinking establishment, except that no owner or operator of a radio or television station licensed by the Federal Communications Commission, cable system or satellite carrier, cable or satellite carrier service or programmer, provider of online services or network access or the operator of facilities therefor, telecommunications company, or any other such audio or audiovisual service or programmer now known or as may be developed in the future, commercial subscription music service, or owner or

operator of any other transmission service, shall under any circumstances be deemed to be a proprietor.

A “pseudonymous work” is a work on the copies or phonorecords of which the author is identified under a fictitious name.

“Publication” is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

To perform or display a work “publicly” means—

- (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or
- (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

“Registration,” for purposes of sections 205(c)(2), 405, 406, 410(d), 411, 412, and 506(e), means a registration of a claim in the original or the renewed and extended term of copyright.

“Sound recordings” are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other

audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied.

“State” includes the District of Columbia and the Commonwealth of Puerto Rico, and any territories to which this title is made applicable by an Act of Congress.

A “transfer of copyright ownership” is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.

A “transmission program” is a body of material that, as an aggregate, has been produced for the sole purpose of transmission to the public in sequence and as a unit.

To “transmit” a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.

A “treaty party” is a country or intergovernmental organization other than the United States that is a party to an international agreement.

The “United States,” when used in a geographical sense, comprises the several States, the District of Columbia and the Commonwealth of Puerto Rico, and the organized territories under the jurisdiction of the United States Government.

For purposes of section 411, a work is a “United States work” only if—

- (1) in the case of a published work, the work is first published—

- (A) in the United States;
 - (B) simultaneously in the United States and another treaty party or parties, whose law grants a term of copyright protection that is the same as or longer than the term provided in the United States;
 - (C) simultaneously in the United States and a foreign nation that is not a treaty party; or
 - (D) in a foreign nation that is not a treaty party, and all of the authors of the work are nationals, domiciliaries, or habitual residents of, or in the case of an audiovisual work legal entities with headquarters in, the United States;
- (2) in the case of an unpublished work, all the authors of the work are nationals, domiciliaries, or habitual residents of the United States, or, in the case of an unpublished audiovisual work, all the authors are legal entities with headquarters in the United States; or
 - (3) in the case of a pictorial, graphic, or sculptural work incorporated in a building or structure, the building or structure is located in the United States.

A “useful article” is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a “useful article.”

The author’s “widow” or “widower” is the author’s surviving spouse under the law of the author’s domicile at the time of his or her death, whether or not the spouse has later remarried.

The “WIPO Copyright Treaty” is the WIPO Copyright Treaty concluded at Geneva, Switzerland, on December 20, 1996.

The “WIPO Performances and Phonograms Treaty” is the WIPO Performances and Phonograms Treaty concluded at Geneva, Switzerland, on December 20, 1996.

A “work of visual art” is—

- (1) a painting, drawing, print, or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of 200 or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author; or
- (2) a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author.

A work of visual art does not include—

- (A) (i) any poster, map, globe, chart, technical drawing, diagram, model, applied art, motion picture or other audiovisual work, book, magazine, newspaper, periodical, database, electronic information service, electronic publication, or similar publication;
- (ii) any merchandising item or advertising, promotional, descriptive, covering, or packaging material or container;
- (iii) any portion or part of any item described in clause (i) or (ii);
- (B) any work made for hire; or
- (C) any work not subject to copyright protection under this title.

A “work of the United States Government” is a work prepared by an officer or employee of the United States Government as part of that person’s official duties.

A “work made for hire” is—

- (1) a work prepared by an employee within the scope of his or her employment; or
- (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a “supplementary work” is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an “instructional text” is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

[Material omitted here.]

The terms “WTO Agreement” and “WTO member country” have the meanings given those terms in paragraphs (9) and (10), respectively, of section 2 of the Uruguay Round Agreements Act.

§ 102 Subject matter of copyright: In general

- (a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived,

reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

- (1) literary works;
- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music;
- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;
- (6) motion pictures and other audiovisual works;
- (7) sound recordings; and
- (8) architectural works.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

§ 103 Subject matter of copyright: Compilations and derivative works

(a) The subject matter of copyright as specified by section 102 includes compilations and derivative works, but protection for a work employing preexisting material in which copyright subsists does not extend to any part of the work in which such material has been used unlawfully.

(b) The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the preexisting material.

§ 106 Exclusive rights in copyrighted works

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

§ 106A Rights of certain authors to attribution and integrity

(a) *Rights of attribution and integrity.*—Subject to section 107 and independent of the exclusive rights provided in section 106, the author of a work of visual art—

- (1) shall have the right—
 - (A) to claim authorship of that work, and
 - (B) to prevent the use of his or her name as the author of any work of visual art which he or she did not create;

- (2) shall have the right to prevent the use of his or her name as the author of the work of visual art in the event of a distortion, mutilation, or other modification of the work which would be prejudicial to his or her honor or reputation; and
- (3) subject to the limitations set forth in section 113(d), shall have the right—
 - (A) to prevent any intentional distortion, mutilation, or other modification of that work which would be prejudicial to his or her honor or reputation, and any intentional distortion, mutilation, or modification of that work is a violation of that right, and
 - (B) to prevent any destruction of a work of recognized stature, and any intentional or grossly negligent destruction of that work is a violation of that right.

[Other subsections omitted.]

§ 107 Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright. In determining whether the use made of a work in any particular case is a fair use the factors to be considered shall include—

- (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes;
- (2) the nature of the copyrighted work;
- (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and

- (4) the effect of the use upon the potential market for or value of the copyrighted work.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

§ 110 Limitations on exclusive rights: Exemption of certain performances and displays

Notwithstanding the provisions of section 106, the following are not infringements of copyright:

- (1) performance or display of a work by instructors or pupils in the course of face-to-face teaching activities of a nonprofit educational institution, in a classroom or similar place devoted to instruction, unless, in the case of a motion picture or other audiovisual work, the performance, or the display of individual images, is given by means of a copy that was not lawfully made under this title, and that the person responsible for the performance knew or had reason to believe was not lawfully made;
- (2) except with respect to a work produced or marketed primarily for performance or display as part of mediated instructional activities transmitted via digital networks, or a performance or display that is given by means of a copy or phonorecord that is not lawfully made and acquired under this title, and the transmitting government body or accredited nonprofit educational institution knew or had reason to believe was not lawfully made and acquired, the performance of a nondramatic literary or musical work or reasonable and limited portions of any other work, or display of a work in an amount comparable to that which is typically displayed in the course of a live classroom session, by or in the course of a transmission, if—

- (A) the performance or display is made by, at the direction of, or under the actual supervision of an instructor as an integral part of a class session offered as a regular part of the systematic mediated instructional activities of a governmental body or an accredited non-profit educational institution;
- (B) the performance or display is directly related and of material assistance to the teaching content of the transmission;
- (C) the transmission is made solely for, and, to the extent technologically feasible, the reception of such transmission is limited to—
 - (i) students officially enrolled in the course for which the transmission is made; or
 - (ii) officers or employees of governmental bodies as a part of their official duties or employment; and
- (D) the transmitting body or institution—
 - (i) institutes policies regarding copyright, provides informational materials to faculty, students, and relevant staff members that accurately describe, and promote compliance with, the laws of the United States relating to copyright, and provides notice to students that materials used in connection with the course may be subject to copyright protection; and
 - (ii) in the case of digital transmissions—
 - (I) applies technological measures that reasonably prevent—
 - (aa) retention of the work in accessible form by recipients of the transmission from the transmitting body or institution for longer than the class session; and
 - (bb) unauthorized further dissemination of the work in accessible form by such recipients to others; and
 - (II) does not engage in conduct that could reasonably be expected to interfere with technological measures used by copyright owners to prevent such retention or unauthorized further dissemination;
- (3) performance of a nondramatic literary or musical work or of a dramatic-musical work of a religious nature, or display of a work, in the course of services at a place of worship or other religious assembly;
- (4) performance of a nondramatic literary or musical work otherwise than in a transmission to the public, without any purpose of direct or indirect commercial advantage and without payment of any fee or other compensation for the performance to any of its performers, promoters, or organizers, if—
 - (A) there is no direct or indirect admission charge; or
 - (B) the proceeds, after deducting the reasonable costs of producing the performance, are used exclusively for educational, religious, or charitable purposes and not for private financial gain, except where the copyright owner has served notice of objection to the performance under the following conditions;
 - (i) the notice shall be in writing and signed by the copyright owner or such owner's duly authorized agent; and
 - (ii) the notice shall be served on the person responsible for the performance at least seven days before the date of the performance, and shall state the reasons for the objection; and
 - (iii) the notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation;

- (5) (A) except as provided in subparagraph (B), communication of a transmission embodying a performance or display of a work by the public reception of the transmission on a single receiving apparatus of a kind commonly used in private homes, unless—
 - (i) a direct charge is made to see or hear the transmission; or
 - (ii) the transmission thus received is further transmitted to the public;
- (B) communication by an establishment of a transmission or retransmission embodying a performance or display of a nondramatic musical work intended to be received by the general public, originated by a radio or television broadcast station licensed as such by the Federal Communications Commission, or, if an audiovisual transmission, by a cable system or satellite carrier, if—
 - (i) in the case of an establishment other than a food service or drinking establishment, either the establishment in which the communication occurs has less than 2,000 gross square feet of space (excluding space used for customer parking and for no other purpose), or the establishment in which the communication occurs has 2,000 or more gross square feet of space (excluding space used for customer parking and for no other purpose) and—
 - (I) if the performance is by audio means only, the performance is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space; or
 - (II) if the performance or display is by audiovisual means, any visual portion of the performance or display is communicated by means of a total of not more than 4 audiovisual devices, of which not more than one audiovisual device is located in any 1 room, and no such audiovisual device has a diagonal screen size greater than 55 inches, and any audio portion of the performance or display is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space;
 - (ii) in the case of a food service or drinking establishment, either the establishment in which the communication occurs has less than 3,750 gross square feet of space (excluding space used for customer parking and for no other purpose), or the establishment in which the communication occurs has 3,750 gross square feet of space or more (excluding space used for customer parking and for no other purpose) and—
 - (I) if the performance is by audio means only, the performance is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space; or
 - (II) if the performance or display is by audiovisual means, any visual portion of the performance or display is communicated by means of a total of not more than 4 audiovisual devices, of which not more than one audiovisual device is located in any 1 room, and no such audiovisual device has a diagonal screen size greater than 55 inches, and any audio portion of the performance or display is communicated by means of a total of not more than 6 loudspeakers, of which not more than 4 loudspeakers are located in any 1 room or adjoining outdoor space;

- (iii) no direct charge is made to see or hear the transmission or retransmission;
- (iv) the transmission or retransmission is not further transmitted beyond the establishment where it is received; and
- (v) the transmission or retransmission is licensed by the copyright owner of the work so publicly performed or displayed;
- (6) performance of a nondramatic musical work by a governmental body or a nonprofit agricultural or horticultural organization, in the course of an annual agricultural or horticultural fair or exhibition conducted by such body or organization; the exemption provided by this clause shall extend to any liability for copyright infringement that would otherwise be imposed on such body or organization, under doctrines of vicarious liability or related infringement, for a performance by a concessionaire, business establishment, or other person at such fair or exhibition, but shall not excuse any such person from liability for the performance;
- (7) performance of a nondramatic musical work by a vending establishment open to the public at large without any direct or indirect admission charge, where the sole purpose of the performance is to promote the retail sale of copies or phonorecords of the work, or of the audiovisual or other devices utilized in such performance, and the performance is not transmitted beyond the place where the establishment is located and is within the immediate area where the sale is occurring;
- (8) performance of a nondramatic literary work, by or in the course of a transmission specifically designed for and primarily directed to blind or other handicapped persons who are unable to read normal printed material as a result of their handicap, or deaf or other handicapped persons who are unable to hear

the aural signals accompanying a transmission of visual signals, if the performance is made without any purpose of direct or indirect commercial advantage and its transmission is made through the facilities of: (i) a governmental body; or (ii) a noncommercial educational broadcast station (as defined in section 397 of title 47); or (iii) a radio subcarrier authorization (as defined in 47 CFR 73.293-73.295 and 73.593-73.595); or (iv) a cable system (as defined in section 111(f)).

- (9) performance on a single occasion of a dramatic literary work published at least ten years before the date of the performance, by or in the course of a transmission specifically designed for and primarily directed to blind or other handicapped persons who are unable to read normal printed material as a result of their handicap, if the performance is made without any purpose of direct or indirect commercial advantage and its transmission is made through the facilities of a radio subcarrier authorization referred to in clause (8)(iii), *Provided*, That the provisions of this clause shall not be applicable to more than one performance of the same work by the same performers or under the auspices of the same organization; and
- (10) notwithstanding paragraph (4), the following is not an infringement of copyright: performance of a nondramatic literary or musical work in the course of a social function which is organized and promoted by a nonprofit veterans' organization or a nonprofit fraternal organization to which the general public is not invited, but not including the invitees of the organizations, if the proceeds from the performance, after deducting the reasonable costs of producing the performance, are used exclusively for charitable purposes and not for financial gain. For purposes of this

section the social functions of any college or university fraternity or sorority shall not be included unless the social function is held solely to raise funds for a specific charitable purpose; and

- (11) the making imperceptible, by or at the direction of a member of a private household, of limited portions of audio or video content of a motion picture, during a performance in or transmitted to that household for private home viewing, from an authorized copy of the motion picture, or the creation or provision of a computer program or other technology that enables such making imperceptible and that is designed and marketed to be used, at the direction of a member of a private household, for such making imperceptible, if no fixed copy of the altered version of the motion picture is created by such computer program or other technology.

The exemptions provided under paragraph (5) shall not be taken into account in any administrative, judicial, or other governmental proceeding to set or adjust the royalties payable to copyright owners for the public performance or display of their works. Royalties payable to copyright owners for any public performance or display of their works other than such performances or displays as are exempted under paragraph (5) shall not be diminished in any respect as a result of such exemption.

[Other subsections omitted.]

§ 117 Limitations on exclusive rights: Computer programs

(a) *Making of additional copy or adaptation by owner of copy.*—Notwithstanding the provisions of section 106, it is not an infringement for the owner of a copy of a computer program to make or authorize the making of another copy or adaptation of that computer program provided:

- (1) that such a new copy or adaptation is created as an essential step in the utilization of the computer program in conjunction with a machine and that it is used in no other manner, or
- (2) that such new copy or adaptation is for archival purposes only and that all archival copies are destroyed in the event that continued possession of the computer program should cease to be rightful.

[Other subsections omitted.]

§ 201 Ownership of copyright

- (a) *Initial ownership.*—Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work.
- (b) *Works made for hire.*—In the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.
- (c) *Contributions to collective works.*—Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole, and vests initially in the author of the contribution. In the absence of an express transfer of the copyright or of any rights under it, the owner of copyright in the collective work is presumed to have acquired only the privilege of reproducing and distributing the contribution as part of that particular collective work, any revision of that collective work, and any later collective work in the same series.
- (d) *Transfer of ownership.*—

- (1) The ownership of a copyright may be transferred in whole or in part by any means of conveyance or by operation of law, and may be bequeathed by will or pass as personal property by the applicable laws of intestate succession.
- (2) Any of the exclusive rights comprised in a copyright, including any subdivision of any of the rights specified by section 106, may be transferred as provided by clause (1) and owned separately. The owner of any particular exclusive right is entitled, to the extent of that right, to all of the protection and remedies accorded to the copyright owner by this title.

[Subsection (e) omitted.]

§ 202 Ownership of copyright as distinct from ownership of material object

Ownership of a copyright, or of any of the exclusive rights under a copyright, is distinct from ownership of any material object in which the work is embodied. Transfer of ownership of any material object, including the copy or phonorecord in which the work is first fixed, does not of itself convey any rights in the copyrighted work embodied in the object; nor, in the absence of an agreement, does transfer of ownership of a copyright or of any exclusive rights under a copyright convey property rights in any material object.

§ 203 Termination of transfers and licenses granted by the author

- (a) *Conditions for Termination.*—In the case of any work other than a work made for hire, the exclusive or nonexclusive grant of a transfer or license of copyright or of any right under a copyright, executed by the author on or after January 1, 1978, otherwise than by will, is subject to termination under the following conditions:

- (1) In the case of a grant executed by one author, termination of the grant may be effected by that author or, if the author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest. In the case of a grant executed by two or more authors of a joint work, termination of the grant may be effected by a majority of the authors who executed it; if any of such authors is dead, the termination interest of any such author may be exercised as a unit by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's interest.
- (2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:
 - (A) The widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest.
 - (B) The author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them.
 - (C) The rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination

interest can be exercised only by the action of a majority of them.

- (D) In the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.
 - (3) Termination of the grant may be effected at any time during a period of five years beginning at the end of thirty-five years from the date of execution of the grant; or, if the grant covers the right of publication of the work, the period begins at the end of thirty-five years from the date of publication of the work under the grant or at the end of forty years from the date of execution of the grant, whichever term ends earlier.
 - (4) The termination shall be effected by serving an advance notice in writing, signed by the number and proportion of owners of termination interests required under clauses (1) and (2) of this subsection, or by their duly authorized agents, upon the grantee or the grantee's successor in title.
 - (A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause (3) of this subsection, and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.
 - (B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.
 - (5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.
- (b) *Effect of Termination.*—Upon the effective date of termination, all rights under this title that were covered by the terminated grants revert to the author, authors, and other persons owning termination interests under clauses (1) and (2) of subsection (a), including those owners who did not join in signing the notice of termination under clause (4) of subsection (a), but with the following limitations:
- (1) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.
 - (2) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of subsection (a). The rights vest in the author, authors, and other persons named in, and in the proportionate shares provided by, clauses (1) and (2) of subsection (a).
 - (3) Subject to the provisions of clause (4) of this subsection, a further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under clause (2) of this subsection, as are required to terminate the grant under clauses (1) and (2) of subsection (a). Such further grant or agreement is effective with respect to all

of the persons in whom the right it covers has vested under clause (2) of this subsection, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this clause.

- (4) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the persons provided by clause (3) of this subsection and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of subsection (a).
- (5) Termination of a grant under this section affects only those rights covered by the grants that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.
- (6) Unless and until termination is effected under this section, the grant, if it does not provide otherwise, continues in effect for the term of copyright provided by this title.

§ 204 Execution of transfers of copyright ownership

- (a) A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

[Subsection (b) omitted.]

§ 302 Duration of copyright: Works created on or after January 1, 1978

- (a) *In general.*—Copyright in a work created on or after January 1, 1978, subsists from its creation and, except as provided by the following subsections, endures for a term consisting of the life of the author and 70 years after the author's death.
- (b) *Joint works.*—In the case of a joint work prepared by two or more authors who did not work for hire, the copyright endures for a term consisting of the life of the last surviving author and 70 years after such last surviving author's death.
- (c) *Anonymous works, pseudonymous works, and works made for hire.*—In the case of an anonymous work, a pseudonymous work, or a work made for hire, the copyright endures for a term of 95 years from the year of its first publication, or a term of 120 years from the year of its creation, whichever expires first. If, before the end of such term, the identity of one or more of the authors of an anonymous or pseudonymous work is revealed in the records of a registration made for that work under subsections (a) or (d) of section 408, or in the records provided by this subsection, the copyright in the work endures for the term specified by subsection (a) or (b), based on the life of the author or authors whose identity has been revealed. Any person having an interest in the copyright in an anonymous or pseudonymous work may at any time record, in records to be maintained by the Copyright Office for that purpose, a statement identifying one or more authors of the work; the statement shall also identify the person filing it, the nature of that person's interest, the source of the information recorded, and the particular work affected, and shall comply in form and content with requirements that the Register of Copyrights shall prescribe by regulation.

- (d) *Records relating to death of authors.*—Any person having an interest in a copyright may at any time record in the Copyright Office a statement of the date of death of the author of the copyrighted work, or a statement that the author is still living on a particular date. The statement shall identify the person filing it, the nature of that person's interest, and the source of the information recorded, and shall comply in form and content with requirements that the Register of Copyrights shall prescribe by regulation. The Register shall maintain current records of information relating to the death of authors of copyrighted works, based on such recorded statements and, to the extent the Register considers practicable, on data contained in any of the records of the Copyright Office or in other reference sources.
- (e) *Presumption as to author's death.*—After a period of 95 years from the year of first publication of a work, or a period of 120 years from the year of its creation, whichever expires first, any person who obtains from the Copyright Office a certified report that the records provided by subsection (d) disclose nothing to indicate that the author of the work is living, or died less than 70 years before, is entitled to the benefits of a presumption that the author has been dead for at least 70 years. Reliance in good faith upon this presumption shall be a complete defense to any action for infringement under this title.

§ 304 Duration of copyright: Subsisting copyrights

- (a) *Copyrights in their first term on January 1, 1978.*—
- (1) (A) Any copyright, the first term of which is subsisting on January 1, 1978, shall endure

for 28 years from the date it was originally secured.

(B) In the case of—

- (i) any posthumous work or of any periodical, cyclopedic, or other composite work upon which the copyright was originally secured by the proprietor thereof, or
- (ii) any work copyrighted by a corporate body (otherwise than as assignee or licensee of the individual author) or by an employer for whom such work is made for hire,

the proprietor of such copyright shall be entitled to a renewal and extension of the copyright in such work for the further term of 67 years.

(C) In the case of any other copyrighted work, including a contribution by an individual author to a periodical or to a cyclopedic or other composite work—

- (i) the author of such work, if the author is still living,
- (ii) the widow, widower, or children of the author, if the author is not living,
- (iii) the author's executors, if such author, widow, widower, or children are not living, or
- (iv) the author's next of kin, in the absence of a will of the author,

shall be entitled to a renewal and extension of the copyright in such work for a further term of 67 years.

(2)(A) At the expiration of the original term of copyright in a work specified in paragraph (1)(B) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which—

- (i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning

of such further term, in the proprietor of the copyright who is entitled to claim the renewal of copyright at the time the application is made; or

- (ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in the person or entity that was the proprietor of the copyright as of the last day of the original term of copyright.

(B) At the expiration of the original term of copyright in a work specified in paragraph (1)(C) of this subsection, the copyright shall endure for a renewed and extended further term of 67 years, which—

- (i) if an application to register a claim to such further term has been made to the Copyright Office within 1 year before the expiration of the original term of copyright, and the claim is registered, shall vest, upon the beginning of such further term, in any person who is entitled under paragraph (1)(C) to the renewal and extension of the copyright at the time the application is made; or
- (ii) if no such application is made or the claim pursuant to such application is not registered, shall vest, upon the beginning of such further term, in any person entitled under paragraph (1)(C), as of the last day of the original term of copyright, to the renewal and extension of the copyright.

(3) (A) An application to register a claim to the renewed and extended term of copyright in a work may be made to the Copyright Office—

- (i) within 1 year before the expiration of the original term of copyright by any person entitled under paragraph (1)(B) or (C) to such further term of 67 years; and
- (ii) at any time during the renewed and extended term by any person in whom such further term vested, under paragraph

(2)(A) or (B), or by any successor or assign of such person, if the application is made in the name of such person.

(B) Such an application is not a condition of the renewal and extension of the copyright in a work for a further term of 67 years.

(4) (A) If an application to register a claim to the renewed and extended term of copyright in a work is not made within 1 year before the expiration of the original term of copyright in a work, or if the claim pursuant to such application is not registered, then a derivative work prepared under authority of a grant of a transfer or license of the copyright that is made before the expiration of the original term of copyright may continue to be used under the terms of the grant during the renewed and extended term of copyright without infringing the copyright, except that such use does not extend to the preparation during such renewed and extended term of other derivative works based upon the copyrighted work covered by such grant.

(B) If an application to register a claim to the renewed and extended term of copyright in a work is made within 1 year before its expiration, and the claim is registered, the certificate of such registration shall constitute prima facie evidence as to the validity of the copyright during its renewed and extended term and of the facts stated in the certificate. The evidentiary weight to be accorded the certificates of a registration of a renewed and extended term of copyright made after the end of that 1-year period shall be within the discretion of the court.

- (b) *Copyrights in their renewal term at the time of the effective date of the Sonny Bono Copyright Term Extension Act.*—Any copyright still in its renewal term at the time that the Sonny Bono Copyright Term Extension Act becomes effective shall have a copyright term of 95 years from the date copyright was originally secured.

- (c) *Termination of transfers and licenses covering extended renewal term.*—In the case of

any copyright subsisting in either its first or renewal term on January 1, 1978, other than a copyright in a work made for hire, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated by subsection (a)(1)(C) of this section, otherwise than by will, is subject to termination under the following conditions:

- (1) In the case of a grant executed by a person or persons other than the author, termination of the grant may be effected by the surviving person or persons who executed it. In the case of a grant executed by one or more of the authors of the work, termination of the grant may be effected, to the extent of a particular author's share in the ownership of the renewal copyright, by the author who executed it or, if such author is dead, by the person or persons who, under clause (2) of this subsection, own and are entitled to exercise a total of more than one-half of that author's termination interest.
- (2) Where an author is dead, his or her termination interest is owned, and may be exercised, as follows:
 - (A) the widow or widower owns the author's entire termination interest unless there are any surviving children or grandchildren of the author, in which case the widow or widower owns one-half of the author's interest;
 - (B) the author's surviving children, and the surviving children of any dead child of the author, own the author's entire termination interest unless there is a widow or widower, in which case the ownership of one-half of the author's interest is divided among them;
 - (C) the rights of the author's children and grandchildren are in all cases divided among them and exercised on a per stirpes basis according to the number of such author's children represented; the share of the children of a dead child in a termination interest can be exercised only by the action of a majority of them.
 - (D) in the event that the author's widow or widower, children, and grandchildren are not living, the author's executor, administrator, personal representative, or trustee shall own the author's entire termination interest.
- (3) Termination of the grant may be effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured, or beginning on January 1, 1978, whichever is later.
- (4) The termination shall be effected by serving an advance notice in writing upon the grantee or the grantee's successor in title. In the case of a grant executed by a person or persons other than the author, the notice shall be signed by all of those entitled to terminate the grant under clause (1) of this subsection, or by their duly authorized agents. In the case of a grant executed by one or more of the authors of the work, the notice as to any one author's share shall be signed by that author or his or her duly authorized agent or, if that author is dead, by the number and proportion of the owners of his or her termination interest required under clauses (1) and (2) of this subsection, or by their duly authorized agents.
 - (A) The notice shall state the effective date of the termination, which shall fall within the five-year period specified by clause

(3) of this subsection, or, in the case of a termination under subsection (d), within the five-year period specified by subsection (d)(2), and the notice shall be served not less than two or more than ten years before that date. A copy of the notice shall be recorded in the Copyright Office before the effective date of termination, as a condition to its taking effect.

- (B) The notice shall comply, in form, content, and manner of service, with requirements that the Register of Copyrights shall prescribe by regulation.
- (5) Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.
- (6) In the case of a grant executed by a person or persons other than the author, all rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to all of those entitled to terminate the grant under clause (1) of this subsection. In the case of a grant executed by one or more of the authors of the work, all of a particular author's rights under this title that were covered by the terminated grant revert, upon the effective date of termination, to that author or, if that author is dead, to the persons owning his or her termination interest under clause (2) of this subsection, including those owners who did not join in signing the notice of termination under clause (4) of this subsection. In all cases the reversion of rights is subject to the following limitations:
 - (A) A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its

termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

- (B) The future rights that will revert upon termination of the grant become vested on the date the notice of termination has been served as provided by clause (4) of this subsection.
- (C) Where the author's rights revert to two or more persons under clause (2) of this subsection, they shall vest in those persons in the proportionate shares provided by that clause. In such a case, and subject to the provisions of subclause (D) of this clause, a further grant, or agreement to make a further grant, of a particular author's share with respect to any right covered by a terminated grant is valid only if it is signed by the same number and proportion of the owners, in whom the right has vested under this clause, as are required to terminate the grant under clause (2) of this subsection. Such further grant or agreement is effective with respect to all of the persons in whom the right it covers has vested under this subclause, including those who did not join in signing it. If any person dies after rights under a terminated grant have vested in him or her, that person's legal representatives, legatees, or heirs at law represent him or her for purposes of this subclause.
- (D) A further grant, or agreement to make a further grant, of any right covered by a terminated grant is valid only if it is made after the effective date of the termination. As an exception, however, an agreement for such a further grant may be made between the author or any of the

persons provided by the first sentence of clause (6) of this subsection, or between the persons provided by subclause (C) of this clause, and the original grantee or such grantee's successor in title, after the notice of termination has been served as provided by clause (4) of this subsection.

- (E) Termination of a grant under this subsection affects only those rights covered by the grant that arise under this title, and in no way affects rights arising under any other Federal, State, or foreign laws.
- (F) Unless and until termination is effected under this subsection, the grant, if it does not provide otherwise, continues in effect for the remainder of the extended renewal term.
- (d) *Termination rights provided in subsection (c) which have expired on or before the effective date of the Sonny Bono Copyright Term Extension Act.*—In the case of any copyright other than a work made for hire, subsisting in its renewal term on the effective date of the Sonny Bono Copyright Term Extension Act for which the termination right provided in subsection (c) has expired by such date, where the author or owner of the termination right has not previously exercised such termination right, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated in subsection (a)(1)(C) of this section, other than by will, is subject to termination under the following conditions:
- (1) The conditions specified in subsections (c) (1), (2), (4), (5), and (6) of this section apply to terminations of the last 20 years of copyright term as provided by the amendments made by the Sonny Bono Copyright Term Extension Act.

- (2) Termination of the grant may be effected at any time during a period of 5 years beginning at the end of 75 years from the date copyright was originally secured.

§ 401 Notice of copyright: Visually perceptible copies

- (a) *General provisions.*—Whenever a work protected under this title is published in the United States or elsewhere by authority of the copyright owner, a notice of copyright as provided by this section may be placed on publicly distributed copies from which the work can be visually perceived, either directly or with the aid of a machine or device.
- (b) *Form of notice.*—If a notice appears on the copies, it shall consist of the following three elements:
- (1) the symbol ©; (the letter C in a circle), or the word “Copyright,” or the abbreviation “Copr.”; and
 - (2) the year of first publication of the work; in the case of compilations, or derivative works incorporating previously published material, the year date of first publication of the compilation or derivative work is sufficient. The year date may be omitted where a pictorial, graphic, or sculptural work, with accompanying text matter, if any, is reproduced in or on greeting cards, postcards, stationery, jewelry, dolls, toys, or any useful articles; and
 - (3) the name of the owner of copyright in the work, or an abbreviation by which the name can be recognized, or a generally known alternative designation of the owner.
- (c) *Position of notice.*—The notice shall be affixed to the copies in such manner and location as to give reasonable notice of the claim of copyright. The Register of Copyrights shall

prescribe by regulation, as examples, specific methods of affixation and positions of the notice on various types of works that will satisfy this requirement, but these specifications shall not be considered exhaustive.

- (d) *Evidentiary weight of notice.*—If a notice of copyright in the form and position specified by this section appears on the published copy or copies to which a defendant in a copyright infringement suit had access, then no weight shall be given to such a defendant's interposition of a defense based on innocent infringement in mitigation of actual or statutory damages, except as provided in the last sentence of section 504(c)(2).

§ 408 Copyright registration in general

- (a) *Registration permissive.*—At any time during the subsistence of the first term of copyright in any published or unpublished work in which the copyright was secured before January 1, 1978, and during the subsistence of any copyright secured on or after that date, the owner of copyright or of any exclusive right in the work may obtain registration of the copyright claim by delivering to the Copyright Office the deposit specified by this section, together with the application and fee specified by sections 409 and 708. Such registration is not a condition of copyright protection.
- (b) *Deposit for copyright registration.*—Except as provided by subsection (c), the material deposited for registration shall include—
- (1) in the case of an unpublished work, one complete copy or phonorecord;
 - (2) in the case of the published work, two complete copies or phonorecords of the best edition;

- (3) in the case of a work first published outside the United States, one complete copy or phonorecord as so published.

[Subsections (4) and (c) through (e) omitted.]

- (f) *Preregistration of works being prepared for commercial distribution.*—

- (1) *Rulemaking.*—Not later than 180 days after the date of enactment of this subsection, the Register of Copyrights shall issue regulations to establish procedures for preregistration of a work that is being prepared for commercial distribution and has not been published.
- (2) *Class of works.*—The regulations established under paragraph (1) shall permit preregistration for any work that is in a class of works that the Register determines has had a history of infringement prior to authorized commercial distribution.
- (3) *Application for registration.*—Not later than 3 months after the first publication of a work preregistered under this subsection, the applicant shall submit to the Copyright Office—
 - (A) an application for registration of the work;
 - (B) a deposit; and
 - (C) the applicable fee.
- (4) *Effect of untimely application.*—An action under this chapter for infringement of a work preregistered under this subsection, in a case in which the infringement commenced no later than 2 months after the first publication of the work, shall be dismissed if the items described in paragraph (3) are not submitted to the Copyright Office in proper form within the earlier of—
 - (A) 3 months after the first publication of the work; or

- (B) 1 month after the copyright owner has learned of the infringement.

§ 409 Application for copyright registration

The application for copyright registration shall be made on a form prescribed by the Register of Copyrights and shall include—

- (1) the name and address of the copyright claimant;
- (2) in the case of a work other than an anonymous or pseudonymous work, the name and nationality or domicile of the author or authors, and, if one or more of the authors is dead, the dates of their deaths;
- (3) if the work is anonymous or pseudonymous, the nationality or domicile of the author or authors;
- (4) in the case of a work made for hire, a statement to this effect;
- (5) if the copyright claimant is not the author, a brief statement of how the claimant obtained ownership of the copyright;
- (6) the title of the work, together with any previous or alternative titles under which the work can be identified;
- (7) the year in which creation of the work was completed;
- (8) if the work has been published, the date and nation of its first publication;
- (9) in the case of a compilation or derivative work, an identification of any preexisting work or works that it is based on or incorporates, and a brief, general statement of the additional material covered by the copyright claim being registered; and
- (10) any other information regarded by the Register of Copyrights as bearing upon the preparation or identification of the work or the existence, ownership, or duration of the copyright.

If an application is submitted for the renewed and extended term provided for in section 304(a)(3) (A) and an original term registration has not been made, the Register may request information with respect to the existence, ownership, or duration of the copyright for the original term.

§ 410 Registration of claim and issuance of certificate

- (a) When, after examination, the Register of Copyrights determines that, in accordance with the provisions of this title, the material deposited constitutes copyrightable subject matter and that the other legal and formal requirements of this title have been met, the Register shall register the claim and issue to the applicant a certificate of registration under the seal of the Copyright Office. The certificate shall contain the information given in the application, together with the number and effective date of the registration.
- (b) In any case in which the Register of Copyrights determines that, in accordance with the provisions of this title, the material deposited does not constitute copyrightable subject matter or that the claim is invalid for any other reason, the Register shall refuse registration and shall notify the applicant in writing of the reasons for such refusal.
- (c) In any judicial proceedings the certificate of a registration made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be within the discretion of the court.
- (d) The effective date of a copyright registration is the day on which an application, deposit, and fee, which are later determined by

the Register of Copyrights or by a court of competent jurisdiction to be acceptable for registration, have all been received in the Copyright Office.

§ 411 Registration and infringement actions

- (a) Except for an action brought for a violation of the rights of the author under section 106A(a), and subject to the provisions of subsection (b), no action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title. In any case, however, where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute a civil action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights. The Register may, at his or her option, become a party to the action with respect to the issue of registrability of the copyright claim by entering an appearance within sixty days after such service, but the Register's failure to become a party shall not deprive the court of jurisdiction to determine that issue.

[subsection (b) omitted.]

- (c) In the case of a work consisting of sounds, images, or both, the first fixation of which is made simultaneously with its transmission, the copyright owner may, either before or after such fixation takes place, institute an action for infringement under section 501, fully subject to the remedies provided by sections 502 through 505 and section 510,

if, in accordance with requirements that the Register of Copyrights shall prescribe by regulation, the copyright owner—

- (1) serves notice upon the infringer, not less than 48 hours before such fixation, identifying the work and the specific time and source of its first transmission, and declaring an intention to secure copyright in the work; and
- (2) makes registration for the work, if required by subsection (a), within three months after its first transmission.

§ 412 Registration as prerequisite to certain remedies for infringement

In any action under this title, other than an action brought for a violation of the rights of the author under section 106A(a), an action for infringement of the copyright of a work that has been preregistered under section 408(f) before the commencement of the infringement and that has an effective date of registration not later than the earlier of 3 months after the first publication of the work or 1 month after the copyright owner has learned of the infringement, or an action instituted under section 411(c), no award of statutory damages or of attorney's fees, as provided by sections 504 and 505, shall be made for—

- (1) any infringement of copyright in an unpublished work commenced before the effective date of its registration; or
- (2) any infringement of copyright commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work.

§ 501 Infringement of copyright

- (a) Anyone who violates any of the exclusive rights of the copyright owner as provided by

sections 106 through 122, or of the author as provided in section 106A(a), or who imports copies or phonorecords into the United States in violation of section 602, is an infringer of the copyright or right of the author, as the case may be. For purposes of this chapter (other than section 506), any reference to copyright shall be deemed to include the rights conferred by section 106A(a). As used in this subsection, the term “anyone” includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

- (b) The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it. The court may require such owner to serve written notice of the action with a copy of the complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright.

[Other subsections omitted.]

§ 512 Limitations on liability relating to material online

[Other subsections omitted.]

- (c) *Information residing on systems or networks at direction of users—*

- (1) *In general*—A service provider shall not be liable for monetary relief, or, except as provided in subsection (j), for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider—
 - (A) (i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
 - (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
 - (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;
 - (B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and
 - (C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.
- (2) *Designated agent*—The limitations on liability established in this subsection apply to a service provider only if the service provider has designated an agent to receive notifications of claimed infringement described in paragraph (3), by making available through its service, including on its website in a location

accessible to the public, and by providing to the Copyright Office, substantially the following information:

- (A) the name, address, phone number, and electronic mail address of the agent.
- (B) other contact information which the Register of Copyrights may deem appropriate.

The Register of Copyrights shall maintain a current directory of agents available to the public for inspection, including through the Internet, and may require payment of a fee by service providers to cover the costs of maintaining the directory.

(3) Elements of notification—

- (A) To be effective under this subsection, a notification of claimed infringement must be a written communication provided to the designated agent of a service provider that includes substantially the following:
 - (i) A physical or electronic signature of a person authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.
 - (ii) Identification of the copyrighted work claimed to have been infringed, or, if multiple copyrighted works at a single online site are covered by a single notification, a representative list of such works at that site.
 - (iii) Identification of the material that is claimed to be infringing or to be the subject of infringing activity and that is to be removed or access to which is to be disabled, and information reasonably sufficient to permit the service provider to locate the material.
 - (iv) Information reasonably sufficient to permit the service provider to contact the complaining party, such as an address, telephone number, and, if available, an

electronic mail address at which the complaining party may be contacted.

- (v) A statement that the complaining party has a good faith belief that use of the material in the manner complained of is not authorized by the copyright owner, its agent, or the law.
- (vi) A statement that the information in the notification is accurate, and under penalty of perjury, that the complaining party is authorized to act on behalf of the owner of an exclusive right that is allegedly infringed.
- (B) (i) Subject to clause (ii), a notification from a copyright owner or from a person authorized to act on behalf of the copyright owner that fails to comply substantially with the provisions of subparagraph (A) shall not be considered under paragraph (1) (A) in determining whether a service provider has actual knowledge or is aware of facts or circumstances from which infringing activity is apparent.
- (ii) In a case in which the notification that is provided to the service provider's designated agent fails to comply substantially with all the provisions of subparagraph (A) but substantially complies with clauses (ii), (iii), and (iv) of subparagraph (A), clause (i) of this subparagraph applies only if the service provider promptly attempts to contact the person making the notification or takes other reasonable steps to assist in the receipt of notification that substantially complies with all the provisions of subparagraph (A).

[Other subsections omitted.]

§ 1201 Circumvention of copyright protection systems

(a) *Violations regarding circumvention of technological measures—*

- (1) (A) No person shall circumvent a technological measure that effectively controls access to a work protected under this title. The prohibition contained in the preceding sentence shall take effect at the end of the 2-year period beginning on the date of the enactment of this chapter.

[Other subsections omitted.]

- (2) No person shall manufacture, import, offer to the public, provide, or otherwise traffic in any technology, product, service, device, component, or part thereof, that

- (A) is primarily designed or produced for the purpose of circumventing a technological measure that effectively controls access to a work protected under this title;

[Other subsections omitted.]

PATENTS: TITLE 35 UNITED STATES CODE*

§ 100 Definitions

When used in this title unless the context otherwise indicates—

- (a) The term “invention” means invention or discovery.
- (b) The term “process” means process, art or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.

* Note: The Leahy-Smith America Invents Act of 2011 made many changes, additions, and deletions to the U.S. Patent Act, and it should be reviewed and read in conjunction with the following statutes.

- (c) The terms “United States” and “this country” mean the United States of America, its territories and possessions.
- (d) The word “patentee” includes not only the patentee to whom the patent was issued but also the successors in title to the patentee.

[Other subsections omitted.]

§ 101 Inventions patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

§ 102 Conditions for patentability; novelty and loss of right to patent (effective until March 16, 2013)

A person shall be entitled to a patent unless—

- (a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or
- (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or
- (c) he has abandoned the invention, or
- (d) the invention was first patented or caused to be patented, or was the subject of an inventor’s certificate, by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application for patent or inventor’s certificate filed more than twelve months before the filing of the application in the United States, or

- (e) the invention was described in — (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for the purpose of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language; or
- (f) he did not himself invent the subject matter sought to be patented, or
- (g) (1) during the course of an interference conducted under section 135 or section 291, another inventor involved therein establishes, to the extent permitted in section 104, that before such person's invention thereof the invention was made by such other inventor and not abandoned, suppressed, or concealed, or (2) before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it. In determining priority of invention under this subsection, there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

§ 102. Conditions for patentability; novelty (effective March 16, 2013)

(a) Novelty; Prior Art.—A person shall be entitled to a patent unless—

- (1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or
- (2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.
- (b) Exceptions.—
 - (1) Disclosures Made 1 Year or Less Before the Effective Filing Date of the Claimed Invention.—A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if—
 - (A) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or
 - (B) the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.
 - (2) Disclosures Appearing in Applications and Patents.—A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if—
 - (A) the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor;

- (B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a) (2), been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or
- (C) the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.

(c) **Common Ownership Under Joint Research Agreements.**—Subject matter disclosed and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of subsection (b)(2)(C) if—

- (1) the subject matter disclosed was developed and the claimed invention was made by, or on behalf of, 1 or more parties to a joint research agreement that was in effect on or before the effective filing date of the claimed invention;
- (2) the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and
- (3) the application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

(d) **Patents and Published Applications Effective as Prior Art.**—For purposes of determining whether a patent or application for patent is prior art to a claimed invention under subsection (a)(2), such patent or application shall be considered to have been effectively filed, with respect

to any subject matter described in the patent or application—

- (1) if paragraph (2) does not apply, as of the actual filing date of the patent or the application for patent; or
- (2) if the patent or application for patent is entitled to claim a right of priority under section 119, 365(a), or 365(b), or to claim the benefit of an earlier filing date under section 120, 121, or 365(c), based upon 1 or more prior filed applications for patent, as of the filing date of the earliest such application that describes the subject matter.
- (3) **Continuity of Intent Under the CREATE Act.**—The enactment of section 102(c) of title 35, United States Code, under paragraph (1) of this subsection is done with the same intent to promote joint research activities that was expressed, including in the legislative history, through the enactment of the Cooperative Research and Technology Enhancement Act of 2004 (Public Law 108–453; the “CREATE Act”), the amendments of which are stricken by subsection (c) of this section. The United States Patent and Trademark Office shall administer section 102(c) of title 35, United States Code, in a manner consistent with the legislative history of the CREATE Act that was relevant to its administration by the United States Patent and Trademark Office.

§ 103 Conditions for patentability; nonobvious subject matter (effective until March 16, 2013)

- (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject

matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

[Other subsections omitted.]

§ 103. Conditions for patentability; non-obvious subject matter (effective March 16, 2013)

A patent for a claimed invention may not be obtained, notwithstanding that the claimed invention is not identically disclosed as set forth in section 102, if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains. Patentability shall not be negated by the matter in which the invention was made.

- (d) Repeal of Requirements for Inventions Made Abroad.—Section 104 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 10 of title 35, United States Code, are repealed.
- (e) Repeal of Statutory Invention Registration.—
 - (1) In General.—Section 157 of title 35, United States Code, and the item relating to that section in the table of sections for chapter 14 of title 35, United States Code, are repealed.
 - (2) Removal of Cross References.—Section 111(b)(8) of title 35, United States Code, is amended by striking

“sections 115, 131, 135, and 157” and inserting “sections 131 and 135”.

- (3) Effective Date.—The amendments made by this subsection shall take effect upon the expiration of the 18-month period beginning on the date of the enactment of this Act, and shall apply to any request for a statutory invention registration filed on or after that effective date.

[other subsections omitted]

§ 111 Application*

- (a) *In general.*—
 - (1) *Written application.*—An application for patent shall be made, or authorized to be made, by the inventor, except as otherwise provided in this title, in writing to the Director.
 - (2) *Contents.*—Such application shall include—
 - (A) a specification as prescribed by section 112 of this title;
 - (B) a drawing as prescribed by section 113 of this title; and
 - (C) an oath by the applicant as prescribed by section 115 of this title.
 - (3) *Fee and oath.*—The application must be accompanied by the fee required by law. The fee and oath may be submitted after the specification and any required drawing are submitted, within such period and under such conditions, including the payment of a surcharge, as may be prescribed by the Director.

*Note: Some parts of the following section are affected by the AIA, primarily provisions referring to the inventor's oath and declaration.

(4) *Failure to submit.*—Upon failure to submit the fee and oath within such prescribed period, the application shall be regarded as abandoned, unless it is shown to the satisfaction of the Director that the delay in submitting the fee and oath was unavoidable or unintentional. The filing date of an application shall be the date on which the specification and any required drawing are received in the Patent and Trademark Office.

(b) *Provisional application.*—

(1) *Authorization.*—A provisional application for patent shall be made or authorized to be made by the inventor, except as otherwise provided in this title, in writing to the Director. Such application shall include—

(A) a specification as prescribed by the first paragraph of section 112 of this title; and

(B) a drawing as prescribed by section 113 of this title.

(2) *Claim.*—A claim, as required by the second through fifth paragraphs of section 112, shall not be required in a provisional application.

(3) *Fee.*—

(A) The application must be accompanied by the fee required by law.

(B) The fee may be submitted after the specification and any required drawing are submitted, within such period and under such conditions, including the payment of a surcharge, as may be prescribed by the Director.

(C) Upon failure to submit the fee within such prescribed period, the application shall be regarded as abandoned, unless it is shown to the satisfaction of the Director that

the delay in submitting the fee was unavoidable or unintentional.

(4) *Filing date.*—The filing date of a provisional application shall be the date on which the specification and any required drawing are received in the Patent and Trademark Office.

(5) *Abandonment.*—Notwithstanding the absence of a claim, upon timely request and as prescribed by the Director, a provisional application may be treated as an application filed under subsection (a). Subject to section 119(e)(3) of this title, if no such request is made, the provisional application shall be regarded as abandoned 12 months after the filing date of such application and shall not be subject to revival after such 12-month period.

(6) *Other basis for provisional application.*—Subject to all the conditions in this subsection and section 119(e) of this title, and as prescribed by the Director, an application for patent filed under subsection (a) may be treated as a provisional application for patent.

(7) *No right of priority or benefit of earliest filing date.*—A provisional application shall not be entitled to the right of priority of any other application under section 119 or 365(a) of this title or to the benefit of an earlier filing date in the United States under section 120, 121, or 365(c) of this title.

[Remaining subsections omitted.]

§ 115. Inventor's oath or declaration (effective September 16, 2012)

(a) *Naming the Inventor; Inventor's Oath or Declaration.*—An application for patent that is filed under section 111(a) or commences

the national stage under section 371 shall include, or be amended to include, the name of the inventor for any invention claimed in the application. Except as otherwise provided in this section, each individual who is the inventor or a joint inventor of a claimed invention in an application for patent shall execute an oath or declaration in connection with the application.

- (b) **Required Statements.**—An oath or declaration under subsection (a) shall contain statements that—
 - (1) the application was made or was authorized to be made by the affiant or declarant; and
 - (2) such individual believes himself or herself to be the original inventor or an original joint inventor of a claimed invention in the application.
- (c) **Additional Requirements.**—The Director may specify additional information relating to the inventor and the invention that is required to be included in an oath or declaration under subsection (a).
- (d) **Substitute Statement.**—
 - (1) **In General.**—In lieu of executing an oath or declaration under subsection (a), the applicant for patent may provide a substitute statement under the circumstances described in paragraph (2) and such additional circumstances that the Director may specify by regulation.
 - (2) **Permitted Circumstances.**—A substitute statement under paragraph (1) is permitted with respect to any individual who—
 - (A) is unable to file the oath or declaration under subsection (a) because the individual—
 - (i) is deceased;
 - (ii) is under legal incapacity; or

- (iii) cannot be found or reached after diligent effort; or

- (B) is under an obligation to assign the invention but has refused to make the oath or declaration required under subsection (a).

[remaining subsections omitted]

§ 118. Filing by other than inventor (effective September 16, 2012)

A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent. A person who otherwise shows sufficient proprietary interest in the matter may make an application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is appropriate to preserve the rights of the parties. If the Director grants a patent on an application filed under this section by a person other than the inventor, the patent shall be granted to the real party in interest and upon such notice to the inventor as the Director considers to be sufficient.

[remaining subsections omitted]

§ 119 Benefit of earlier filing date; right of priority

- (a) An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, or in a WTO member country, shall

have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within twelve months from the earliest date on which such foreign application was filed.

[Other language and subsections omitted.]

§ 122 Confidential status of applications; publication of patent applications

- (a) *Confidentiality*.—Except as provided in subsection (b), applications for patents shall be kept in confidence by the Patent and Trademark Office and no information concerning the same given without authority of the applicant or owner unless necessary to carry out the provisions of an Act of Congress or in such special circumstances as may be determined by the Director.
- (b) *Publication*.—
 - (1) *In general*.—(A) Subject to paragraph (2), each application for patent shall be published, in accordance with procedures determined by the Director, promptly after the expiration of a period of 18 months from the earliest filing date for which a benefit is sought under this title. At the request of the applicant, an application may be published earlier than the end of such 18-month period.
 - (B) No information concerning published patent applications shall be made available to the public except as the Director determines.

(C) Notwithstanding any other provision of law, a determination by the Director to release or not to release information concerning a published patent application shall be final and nonreviewable.

- (2) *Exceptions*.—(A) An application shall not be published if that application is—
 - (i) no longer pending;
 - (ii) subject to a secrecy order under section 181 of this title;
 - (iii) a provisional application filed under section 111(b) of this title; or
 - (iv) an application for a design patent filed under chapter 16 of this title.
- (B) (i) If an applicant makes a request upon filing, certifying that the invention disclosed in the application has not and will not be the subject of an application filed in another country, or under a multilateral international agreement, that requires publication of applications 18 months after filing, the application shall not be published as provided in paragraph (1).
- (ii) An applicant may rescind a request made under clause (i) at any time.
- (iii) An applicant who has made a request under clause (i) but who subsequently files, in a foreign country or under a multilateral international agreement specified in clause (i), an application directed to the invention disclosed in the application filed in the Patent and Trademark Office, shall notify the Director of such filing not later than 45 days after the date of the filing of such foreign or international application. A failure of the applicant to provide such notice within the prescribed period shall result in the application being

regarded as abandoned, unless it is shown to the satisfaction of the Director that the delay in submitting the notice was unintentional.

[Other subsections omitted.]

The following language will be added to section 122 effective September 26, 2012:

- (e) Preissuance Submissions by Third Parties.
 - (1) In General.—Any third party may submit for consideration and inclusion in the record of a patent application, any patent, published patent application, or other printed publication of potential relevance to the examination of the application, if such submission is made in writing before the earlier of—
 - (A) the date a notice of allowance under section 151 is given or mailed in the application for patent; or
 - (B) the later of—
 - (i) 6 months after the date on which the application for patent is first published under section 122 by the Office, or
 - (ii) the date of the first rejection under section 132 of any claim by the examiner during the examination of the application for patent.
 - (2) Other Requirements.—Any submission under paragraph (1) shall—
 - (A) set forth a concise description of the asserted relevance of each submitted document;
 - (B) be accompanied by such fee as the Director may prescribe; and
 - (C) include a statement by the person making such submission affirming that the submission was made in compliance with this section.

- (b) Effective Date.—The amendments made by this section shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any patent application filed before, on, or after that effective date.

§ 131 Examination of application

The Director shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, the Commissioner shall issue a patent therefor.

§ 135. Derivation proceedings (effective March 16, 2013)

- (a) Institution of Proceeding.—An applicant for patent may file a petition to institute a derivation proceeding in the Office. The petition shall set forth with particularity the basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application and, without authorization, the earlier application claiming such invention was filed. Any such petition may be filed only within the 1-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention, shall be made under oath, and shall be supported by substantial evidence. Whenever the Director determines that a petition filed under this subsection demonstrates that the standards for instituting a derivation proceeding are met, the Director may institute a derivation proceeding. The determination by the Director whether to institute a derivation proceeding shall be final and nonappealable.

- (b) Determination by Patent Trial and Appeal Board.—In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine whether an inventor named in the earlier application derived the claimed invention from an inventor named in the petitioner's application and, without authorization, the earlier application claiming such invention was filed. In appropriate circumstances, the Patent Trial and Appeal Board may correct the naming of the inventor in any application or patent at issue. The Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings, including requiring parties to provide sufficient evidence to prove and rebut a claim of derivation.

[remaining subsections omitted]

§ 151 Issue of patent

If it appears that applicant is entitled to a patent under the law, a written notice of allowance of the application shall be given or mailed to the applicant. The notice shall specify a sum, constituting the issue fee or a portion thereof, which shall be paid within three months thereafter.

Upon payment of this sum the patent shall issue, but if payment is not timely made, the application shall be regarded as abandoned.

Any remaining balance of the issue fee shall be paid within three months from the sending of a notice thereof and, if not paid, the patent shall lapse at the termination of this three-month period. In calculating the amount of a remaining balance, charges for a page or less may be disregarded.

If any payment required by this section is not timely made, but is submitted with the fee for delayed payment and the delay in payment is shown

to have been unavoidable, it may be accepted by the Director as though no abandonment or lapse had ever occurred.

§ 154 Contents and term of patent; provisional rights*

(a) *In general.*—

- (1) *Contents.*—Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, and, if the invention is a process, of the right to exclude others from using, offering for sale or selling throughout the United States, or importing into the United States, products made by that process, referring to the specification for the particulars thereof.
- (2) *Term.*—Subject to the payment of fees under this title, such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for patent was filed in the United States, or, if the application contains a specific reference to an earlier filed application or applications under sections 120, 121, or 365(c) of this title, from the date on which the earliest such application was filed.
- (3) *Priority.*—Priority under section 119, 365(a), or 365(b) of this title shall not be taken into account in determining the term of a patent.

*Note that there are some changes to Section 154 as a result of the AIA.

- (4) *Specification and drawing.*—A copy of the specification and drawing shall be annexed to the patent and be a part of such patent.
- (b) *Adjustment of patent term.*—
- (1) *Patent term guarantees.*—
- (A) *Guarantee of prompt Patent and Trademark Office responses.*—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the Patent and Trademark Office to—
- (i) provide at least one of the notifications under section 132 of this title or a notice of allowance under section 151 of this title not later than 14 months after—
 - (I) the date on which an application was filed under section 111(a) of this title; or
 - (II) the date on which an international application fulfilled the requirements of section 371 of this title;
 - (ii) respond to a reply under section 132, or to an appeal taken under section 134, within 4 months after the date on which the reply was filed or the appeal was taken;
 - (iii) act on an application within 4 months after the date of a decision by the Board of Patent Appeals and Interferences under section 134 or 135 or a decision by a Federal court under section 141, 145, or 146 in a case in which allowable

claims remain in the application; or

- (iv) issue a patent within 4 months after the date on which the issue fee was paid under section 151 and all outstanding requirements were satisfied,

the term of the patent shall be extended 1 day for each day after the end of the period specified in clause (i), (ii), (iii), or (iv), as the case may be, until the action described in such clause is taken.

- (B) *Guarantee of no more than 3-year application pendency.*—Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the United States Patent and Trademark Office to issue a patent within 3 years after the actual filing date of the application in the United States, not including—
- (i) any time consumed by continued examination of the application requested by the applicant under section 132(b);
 - (ii) any time consumed by a proceeding under section 135(a), any time consumed by the imposition of an order under section 181, or any time consumed by appellate review by the Board of Patent Appeals and Interferences or by a Federal court; or
 - (iii) any delay in the processing of the application by the United States Patent and Trademark Office requested by the applicant except as permitted by paragraph (3)(C),

the term of the patent shall be extended 1 day for each day after the end of that 3-year period until the patent is issued.

[Some subsections omitted.]

(d) *Provisional rights.*—

(1) *In general.*—In addition to other rights provided by this section, a patent shall include the right to obtain a reasonable royalty from any person who, during the period beginning on the date of publication of the application for such patent under section 122(b), or in the case of an international application filed under the treaty defined in section 351(a) designating the United States under Article 21(2)(a) of such treaty, the date of publication of the application, and ending on the date the patent is issued—

- (A) (i) makes, uses, offers for sale, or sells in the United States the invention as claimed in the published patent application or imports such an invention into the United States; or
- (ii) if the invention as claimed in the published patent application is a process, uses, offers for sale, or sells in the United States or imports into the United States products made by that process as claimed in the published patent application; and
- (B) had actual notice of the published patent application, and, in a case in which the right arising under this paragraph is based upon an international application designating the United States that is published in a language other than English, had a translation of the international application into the English language.

[Remaining subsections omitted.]

§ 161 Patents for plants

Whoever invents or discovers and asexually reproduces any distinct and new variety of plant,

including cultivated sports, mutants, hybrids, and newly found seedlings, other than a tuber propagated plant or a plant found in an uncultivated state, may obtain a patent therefor, subject to the conditions and requirements of this title.

The provisions of this title relating to patents for inventions shall apply to patents for plants, except as otherwise provided.

§ 171 Patents for designs

Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, subject to the conditions and requirements of this title.

The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.

§ 173 Term of design patent

Patents for designs shall be granted for the term of fourteen years from the date of grant.

§ 261 Ownership; assignment

Subject to the provisions of this title, patents shall have the attributes of personal property.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths

whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

An assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

§ 271 Infringement of patent

- (a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.
- (b) Whoever actively induces infringement of a patent shall be liable as an infringer.
- (c) Whoever offers to sell or sells within the United States or imports into the United States a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer.

[Other subsections omitted.]

§ 273 Defenses to infringement based on earlier inventor [effective for any patents issued prior to September 16, 2011]

[Other subsections omitted.]

(b) *Defense to infringement.*—

- (1) *In general.*—It shall be a defense to an action for infringement under section 271 of this title with respect to any subject matter that would otherwise infringe one or more claims for a method in the patent being asserted against a person, if such person had, acting in good faith, actually reduced the subject matter to practice at least 1 year before the effective filing date of such patent, and commercially used the subject matter before the effective filing date of such patent.

§ 273. Defense to infringement based on prior commercial Use (effective for patents issued on or after September 16, 2011)

- (a) *In General.*—A person shall be entitled to a defense under section 282(b) with respect to subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process, that would otherwise infringe a claimed invention being asserted against the person if—
 - (1) such person, acting in good faith, commercially used the subject matter in the United States, either in connection with an internal commercial use or an actual arm's length sale or other arm's length commercial transfer of a useful end result of such commercial use; and

- (2) such commercial use occurred at least 1 year before the earlier of either—
 - (A) the effective filing date of the claimed invention; or
 - (B) the date on which the claimed invention was disclosed to the public in a manner that qualified for the exception from prior art under section 102(b).
- (b) Burden of Proof.—A person asserting a defense under this section shall have the burden of establishing the defense by clear and convincing evidence.

[Other subsections omitted.]

§ 291. Derived Patents (effective March 16, 2013)

- (a) In General.—The owner of a patent may have relief by civil action against the owner of another patent that claims the same invention and has an earlier effective filing date, if the invention claimed in such other patent was derived from the inventor of the invention claimed in the patent owned by the person seeking relief under this section.
- (b) Filing Limitation.—An action under this section may be filed only before the end of the 1-year period beginning on the date of the issuance of the first patent containing a claim to the allegedly derived invention and naming an individual alleged to have derived such invention as the inventor or joint inventor.

§ 292 False marking

- (a) Whoever, without the consent of the patentee, marks upon, or affixes to, or uses in advertising in connection with anything made, used, offered for sale, or sold by such person within the United States, or imported by the

person into the United States, the name or any imitation of the name of the patentee, the patent number, or the words “patent,” “patentee,” or the like, with the intent of counterfeiting or imitating the mark of the patentee, or of deceiving the public and inducing them to believe that the thing was made, offered for sale, sold, or imported into the United States by or with the consent of the patentee; or Whoever marks upon, or affixes to, or uses in advertising in connection with any unpatented article, the word “patent” or any word or number importing that the same is patented, for the purpose of deceiving the public; or

Whoever marks upon, or affixes to, or uses in advertising in connection with any article, the words “patent applied for,” “patent pending,” or any word importing that an application for patent has been made, when no application for patent has been made, or if made, is not pending, for the purpose of deceiving the public—

Shall be fined not more than \$500 for every such offense.

Note: The following language was added to § 292 effective September 16, 2011:

- (b) False Marking.—
 - (1) Civil Penalty.—Section 292(a) of title 35, United States Code, is amended by adding at the end the following: Only the United States may sue for the penalty authorized by this subsection.
 - (2) Civil Action for Damages.—Subsection (b) of section 292 of title 35, United States Code, is amended to read as follows: (b) A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.

- (3) Expired Patents.—Section 292 of title 35, United States Code, is amended by adding at the end the following:
- (c) The marking of a product, in a manner described in subsection (a), with matter relating to a patent that covered that product but has expired is not a violation of this section.
- (4) Effective Date.—The amendments made by this subsection shall apply to all cases, without exception, that are pending on, or commenced on or after, the date of the enactment of this Act.

§ 298. Advice of counsel (This section added by AIA.)

The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.